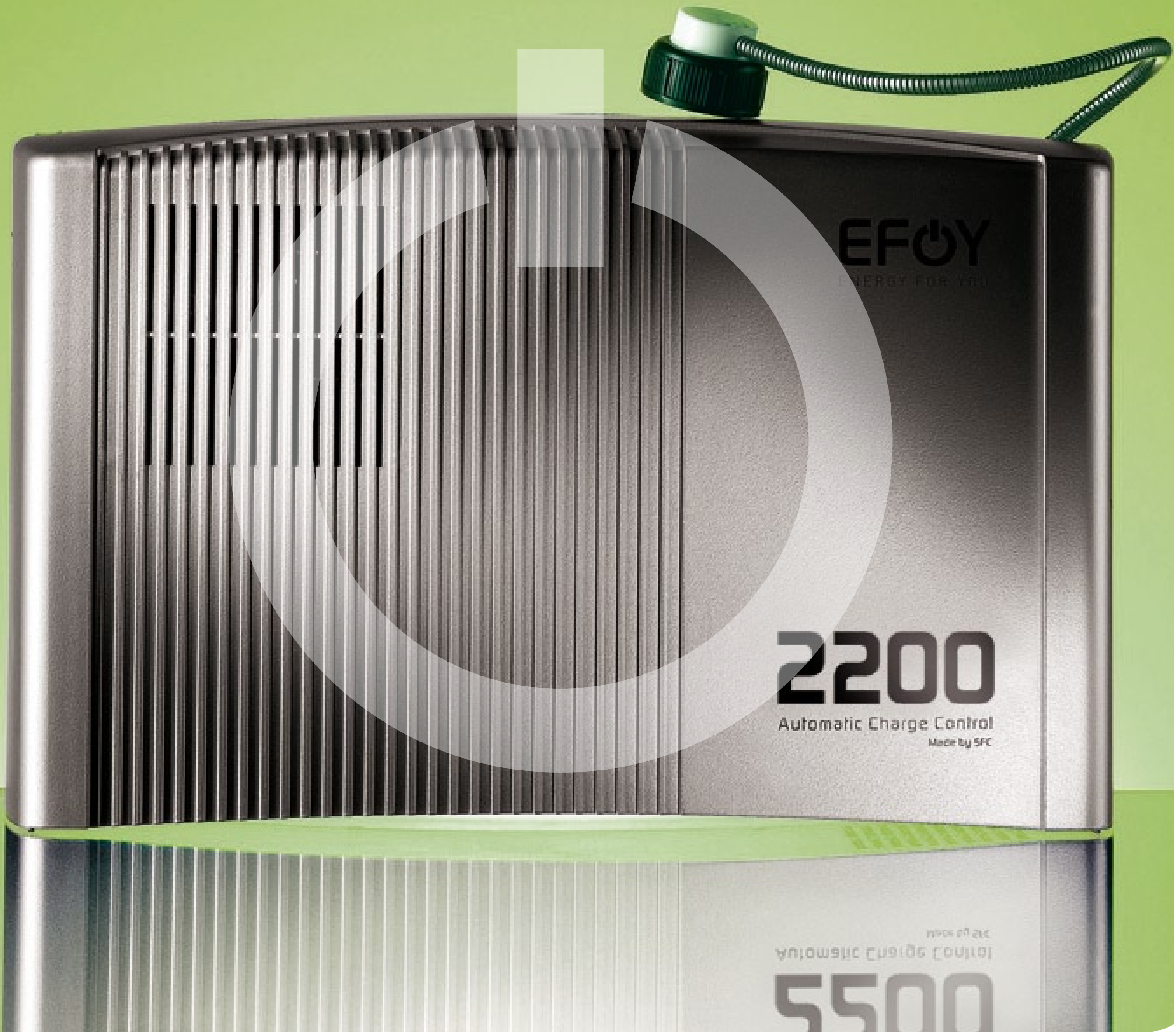
ANNUAL REPORT 2009



SFC
SMART FUEL CELL

SFC SMART FUEL CELL AG CONSOLIDATED KEY FIGURES

in k €

	1/1–12/31/2009	1/1–12/31/2008	Change in %
Total sales	11,687	14,554	–19.7 %
Product sales total	10,542	11,044	–4.5 %
Sales share of products	90.2 %	75.9 %	–
Gross margin total	3,194	2,689	18.8 %
Gross margin	27.3 %	18.5 %	–
EBITDA	–3,580	–3,694	3.1 %
EBITDA margin	–30.6 %	–25.4 %	–
EBIT	–4,507	–4,501	–0.1 %
EBIT margin	–38.6 %	–30.9 %	–
Net loss	–3,785	–2,355	–60.7 %
Net loss per share, diluted	–0.53	–0.33	–60.6 %

in k €

	12/31/2009	12/31/2008	Change in %
Equity	45,860	49,635	–7.6 %
Equity ratio	90.9 %	90.5 %	–
Balance sheet total	50,442	54,839	–8.0 %
Cash (freely available)	40,544	45,568	–11.0 %

	12/31/2009	12/31/2008	Change in %
Permanent employees at 12/31	91	98	–7,1 %

CONTENT

INTRODUCTION BY THE MANAGEMENT BOARD

DEAR CUSTOMERS, SHAREHOLDERS, EMPLOYEES AND FRIENDS OF SFC SMART FUEL CELL AG,

Like many other companies, SFC had a difficult year because of the crisis in the global financial markets and the resulting economic crisis. In our most important market segment, the leisure market, we saw the number of new vehicle registrations across Europe falling by 21 percent and the production of new vehicles in Germany decline by an even steeper 42 percent.

Both private-sector and public-sector clients continued to keep a tight rein on expenses in the area of off-grid industrial applications. In the international defense markets, planned programs involving alternative power supply solutions did not reach the implementation stage. Despite these adverse developments, we still made substantial progress by successfully breaking into a new market segment, enhancing the product range, continuing to systematically cut costs, improving our margins considerably and being prudent with spendings.

At € 11.7 million, total sales of SFC Smart Fuel Cell AG were just under 20 percent below the previous year (2008: € 14.6 million), which was within our expectations. Developments in the defense market factored heavily into this decrease. In contrast to our experiences in 2008, when the convincing advantages of our wearable, mobile power supply solutions garnered us some of the most coveted prizes in the industry and helped us land more than just a few development contracts, the dominant factor in both the European and U.S. defense markets in 2009 was the postponement of numerous programs for the supply of reliable off-grid power to soldiers and equipment in the field. As a result, our sales in the defense market fell by a total of 63 percent.

In the volume market of leisure applications, sales of our EFOY fuel cells dropped by 14 percent. However, we succeeded in bucking the international trend of sharp revenue declines in the leisure sector and expanded our market penetration further: 48 motorhome manufacturers around the world now offer EFOY cells in their vehicles. Readers of the highest-circulating camper magazines in both Germany and England gave EFOY top marks in key surveys and thus confirmed the outstanding name recognition of the EFOY brand - a clear sign that customers recognize and appreciate the benefits of our products.

Driven by considerable growth in our industry business and debut in the mobility sector, sales in the civilian markets overall rose 5 percent compared with 2008. The clear cost and logistical advantages of our EFOY Pro fuel cells for off-grid industrial and mobile applications drove sizeable sales growth in the industry and mobility markets. These figures prove that we are solidly on track in the pursuit of our strategy to make the Company less susceptible to the fluctuations of the leisure and defense markets over the medium term by adding more groundbreaking applications to the business portfolio.

Sales in zivilian markets was increased five percent.

Mobile and portable electric and electronic devices continue to grow in popularity and customers increasingly seek to use them remotely. Having access to power when far from the grid is paramount to many users, and SFC delivers that power with solutions that are dependable, affordable and environmentally friendly. We see enormous potential over the long term and are committed to keeping a sharp focus on our work in this area.

In order to tap this potential effectively, SFC concentrates on providing whole-product solutions: a natural extension of our commitment to following a hybrid product approach. Our EFOY ProCube, for example, gives customers a convenient plug-and-play energy solution that bundles battery, fuel cell, solar module, and the related charging electronics. At the same time, we are also committed to expanding the product portfolio with a view toward creating the maximum benefit for the respective applications as well as to making ongoing improvements in the model mix. In 2009, we strengthened our two successful fuel cell series for the leisure market and market for industrial applications by introducing the EFOY 2200 and EFOY Pro 2200, models that offer more output at further reduced fuel consumption. The new models enable our customers to undertake an even wider range of off-grid applications. In the defense market, we launched three important new products: the FC 250 fuel cell system, our company's largest fuel cell to date with a charging capacity of 6,000 watt hours per day, and EMILY, a fuel cell specially developed to as an auxiliary power unit (APU onboard military vehicles and in the field. In addition, we successfully took our multi-award-winning JENNY, a much-anticipated portable fuel cell for military applications that has been deployed in numerous field operations already, from prototype stage to commercial production in 2009. As in the market for industrial applications, our work in the defense market also focused on the integration of different energy-related devices into a wholistic energy network that can be deployed as a complete solution.

Alongside these achievements, we continued to press ahead with our initiatives to systematically reduce product costs and increase efficiency, a policy that helped us boost our gross margin considerably and stabilize EBIT at its prior-year level despite the declining sales. Our top priority remains the same: to dedicate all of our resources towards the long-term, sustainable growth of the Company. Building on our technology leadership and a respected product portfolio, we are fully committed to developing systems that are real whole-product solutions to our customers` needs. Our attention is also directed at gaining additional market share in our international target markets, especially in the area of off-grid industrial and mobility applications.

We thank you for the support you gave us last year and invite you to stay on board as we continue our journey.

Sincerely,
The Management Board of SFC Smart Fuel Cell AG

Dr. Peter Podesser
CEO

Dr. Jens Müller
COO

SFC FUEL SELL SYSTEMS IN USE

Where you will find SFC fuel cell systems in use

Leisure – Trips and vacations on your terms: Never worry about power again no matter how far you venture from civilization. With SFC fuel cells, enjoy fully charged batteries round the clock for your motorhome, boat, vacation cottage and mountain cabin.

Off-grid industrial systems – 100 percent reliability when it really matters: Off-grid power in any weather for traffic control technology, security and surveillance systems, measuring stations and countless other electrical devices out in the field.

Defense – Greater safety for soldiers: SFC offers portable power supplies, field chargers and on-vehicle power supply solutions that weigh less, save time, and reduce logistics costs.

Mobility – ...on and on and on: Intelligent auxiliary power concepts that ensure the power never goes out on board government, special-purpose, and emergency vehicles.

OUR FAMILY OF PRODUCTS

EFOY FUEL CELLS

Available in five power levels, the EFOY fuel cell delivers quiet, convenient, clean and effortless power for a full range of leisure applications. Light as a feather, this power pack can be retrofitted seamlessly into motorhomes, boats and cabins to keep batteries fully charged completely automatically. Users have to worry about nothing!

EFOY 600, EFOY 900, EFOY 1200, EFOY 1600, EFOY 2200 charging capacity/day: 600 to 2,200 watt hours per day

THE EFOY PRO SERIES

The EFOY Pro, a heavy-duty fuel cell that comes in three power classes, is designed to provide dependable, off-grid power to run demanding professional and government applications during any season and weather for weeks and months at a time, with no need for human intervention plus the option of managing the power supply remotely. The advantage: decisive savings on logistics and operating costs.

EFOY 600, EFOY 900, EFOY 1200, EFOY 1600, EFOY 2200 charging capacity: 600 to 2,200 watt hours per day

OUR FAMILY OF PRODUCTS

THE EFOY PROCUBE

The EFOY ProCube is the practical, total solution for supplying reliable off-grid power to demanding applications. Set it down, connect the cable and you're done. The EFOY ProCube is designed to protect the fuel cell from theft and weather conditions and can even be placed underground, which is particularly useful for remote installations without a cabinet or security devices that need to be installed invisibly.

EFOY Pro Cube, dimensions (L x W x H): 800 x 600 x 410 mm, weight: approx. 15 kg

THE FC 250 FUEL CELL SYSTEM

Our highest-performing fuel cell currently, the FC 250 is a mobile power source for running electrical devices on board patrol cars as well as military and service vehicles. It can also be deployed just as easily in stationary settings as an off-grid battery charger or as the direct power source for operating equipment when far from the grid.

FC 250, dimensions (L x W x H): 936 x 305 x 458 mm, weight: 43 kg, nominal output: 250 W

OUR FAMILY OF PRODUCTS

THE JENNY FUEL CELL

The JENNY fuel cell is our portable power supply solution for soldiers in the field. No traditional power source comes close to delivering what the JENNY offers in output and dependability at a fraction of the weight. Plus, it's quiet, odorless, practically undetecteable, and environmentally friendly.

JENNY, dimensions (L x W x H): 183,6 x 74,4 x 252,3 mm, weight: 1,7 kg, charging capacity/day: 600 Wh

THE EMILY FUEL CELL

A very ruggedized fuel cell, the EMILY powers electrical and electronic devices on board military vehicles as an APU, but when needed can also be used as a stationary charger in the field. Maximum flexibility combined with effortless use, it's no wonder the EMILY is a favorite among users.

EMILY, dimensions (L x W x H): 476 x 206 x 285,5 mm, weight: <12,5 kg, charging capacity/day: 2200 Wh

THE SFC POWER MANAGER

A versatile converter, this intelligent device facilities compatibility and energy management between a broad range of power sources and numerous end devices as well as rechargeable batteries. The Power Manager is extremely practical, allowing users to forgo bringing along scores of different types of batteries and thereby significantly reducing the weight they carry.

SFC POWER MANAGER, dimensions (L x W x H): 131 x 87 x 41 mm, weight: 0,48 kg

"WE ARE COVERING A BASIC NEED IN AN INCREASINGLY ELECTRIFIED AND DIGITALIESED WORLD"

An interview with the Management Board of SFC Smart Fuel Cell AG

The idea of fuel cells has been around for a while now, so why is SFC still involved with this topic?

Dr. Jens Müller: The topic of producing energy on a sustainable basis from renewable resources, which is exactly what fuel cell technology does, is now more relevant than ever. All of our fuel cell products are fueled by an alcohol that can be produced from renewable resources and, besides power, produce only negligible amounts of water and carbon dioxide. That makes them far more environmentally friendly than traditional generators, which rely on internal combustion technology.

What sets SFC's fuel cells apart?

Dr. Peter Podesser: Our EFOY fuel cells were the first commercially available fuel cells in the world. And even today, more than five years after being launched, they remain the only fuel cell systems that end consumers throughout Europe can buy in a retail outlet. The fact that we have sold over 17,000 EFOYs since their introduction clearly shows that fuel cells offer decisive advantages which customers are willing to pay for.

What advantages do SFC fuel cells offer?

Dr. Jens Müller: Their biggest advantage is giving users the chance to function independently of the normal power grid. Anybody who has ever been inconvenienced by abruptly losing battery power when there is no opportunity to plug into the grid and is suddenly left with no light, no radio and no way of communicating can appreciate the appeal in having their very own power source at their fingertips and knowing that they will have dependable power no matter where they are and what the weather is like. It makes no difference whether you own a motorhome and simply want to enjoy a cold beer while being surrounded by nature or whether you operate surveillance equipment and have to ensure that your cameras work round the clock and remain undetected.

Dr. Peter Podesser and Dr. Jens Müller with the 7 kg lightweight top model of the EFOY fuel sell series.

What makes SFC's business model so attractive?

Dr. Peter Podesser: Up to now, guaranteeing a reliable supply of power when far from the grid was often an extremely expensive and time-consuming venture. Our products bridge that gap in supply and even facilitate the creation of entirely new applications. Our product portfolio serves a broad range of uses and makes it easy for us to expand into new markets. Our recent successes in the area of providing auxiliary power to emergency and service vehicles are a reflection of the considerable flexibility in our business model. We are meeting one of the basic needs of our increasingly electrified and digitized world, in a market environment characterized by high barriers to entry for competitors. And we offer customers clear advantages: greater convenience and independence in the area of leisure applications thanks to our products, 24/7 dependability that is so crucial in the area of industrial applications, not to mention cost savings and reduced logistical time and expense, greater driving distance and comfort for electric vehicles, and a substantial reduction in weight load for defense applications. With this dedicated focus on applications, we are in an excellent position going forward.

What draws customers to SFC's power supply solutions?

Dr. Jens Müller: The approach behind our power supply solutions is a hybrid one. In other words, our fuel cells work in tandem with conventional batteries. The battery dispenses energy to the devices and covers peak loads without a hitch, while the fuel cell continually recharges the battery. If other sources of power, e.g., a solar module, are connected to the battery, the fuel cell turns on only when the solar module stops delivering sufficient power. This hybrid approach entails several economic benefits for customers. Customers can retrofit fuel cells into existing systems with minimal effort, which saves them installation costs, and, since the fuel cell constantly recharges the battery, they no longer have to purchase more battery than they really need, which saves them money at the point of sale. Hybrid systems consisting of a fuel cell and battery can run independently for months on end, which opens the door for considerable cost savings in the areas of maintenance and logistics.

What is the competition like in the field of fuel cells?

Dr. Peter Podesser: SFC fuel cells are still the only fuel cell generators that are sold in large numbers, so the competition is relatively minimal. Our hybrid product strategy and pioneering achievements in tapping markets make us the ice-breaker in the marketplace. We would actually like to see more fuel cell companies out there, who could work with us on getting the word out about this technology. Competing technologies include conventional power supply mechanisms like generators, but here, too, we are talking more about a co-existence rather than competition in the classical sense. Typically, generators are used to power electrical devices directly, whereas fuel cells are almost exclusively used in hybrid settings, often along with solar modules, too. The future of off-grid power supply solutions will lie in a practical integration of these systems. With society becoming increasingly mobile, this market is going to grow immensely, and we believe there is ample room for several good companies.

What potential do you see for fuel cells looking ahead to the future?

Dr. Jens Müller: Our fuel cells produce clean power and reduce costs at the same time, which means they satisfy our customers' two most important requirements, namely sustainability and cost-effectiveness, in parallel. When part of a well-formulated hybrid approach, fuel cells are a true enabling technology in that they facilitate the creation of new off-grid applications for which there have been no feasible power supply solutions to date. As a key component of integrated energy supply solutions, fuel cell systems will continue to become more compact and more powerful, which is sure to broaden their range of application. The possibilities for their use are practically endless.

HIGHLIGHTS 2009

January 2009
The EFOY fuel cell garners not one, but two, notable international prizes in the leisure market including a "Best Product" award by Britain's "Motorcaravan Motorhome Monthly" magazine and a third place showing in the "Best Brands of 2009" reader poll conducted by German motorhome magazine "promobil".

January 2009
SFC teams up with several boat accessory distributors to introduce the EFOY fuel cell to the leisure sailing market. Fuel cells deliver dependable, quiet energy on a fully automatic basis far from any port to sailboats and yachts up to 20 m. Wind and weather conditions are irrelevant.

February 2009
SFC and Webasto forge an international distribution partnership to incorporate the EFOY fuel cell into Webasto's gas-free motorhome concept.

February 2009
SFC launches the commercial sale of its portable JENNY fuel cell. Specially developed for the rigorous requirements of special forces and already deployed in serial operation in the field by international defense missions, the JENNY significantly reduces weight load and logistics costs.

April 2009
SFC is named the winner of the "2009 Emerging Enterprise of the Year Award" by the Cleantech Group. The prize is awarded annually to companies that have demonstrated rapid growth and/or provided a high return to investors by bringing a truly innovative technology or business model to the market.

July 2009
SFC enhances its EFOY product mix with the EFOY 2200, the most powerful model in the series with a daily charging capacity of 2,200 watt-hours. The new fuel cell offers 38 percent more power than the predecessor model and a significant reduction in energy costs.

July 2009
SFC secures an order for the supply of more than 130 EFOY Pro fuel cell systems in 2009 from the Mercedes Benz Cologne/Leverkusen branch of Daimler AG. Daimler will use the EFOY Pro 1600 systems to provide onboard power supply for government vehicles. After VW's order for more than 250 EFOY fuel cells for use in special-purpose vehicles, there are approximately 400 government vehicles with EFOY fuel cells in use on Germany's roads at the end of 2009.

HIGHLIGHTS 2009

July 2009
DuPont and SFC receive a follow-up order from the U.S. Army for further development of the compact, wearable M-25 fuel cell for soldiers. The M-25 extends soldier mission times to 72 hours or more and is far lighter than conventional battery systems.

August 2009
Three more well-known motorhome manufacturers begin offering EFOY fuel cells in their vehicle lines: Effectively immediately, customers who purchase Bürstner motorhomes and vehicles from Westfalia's "James Cook" series can order EFOY fuel cells as an optional accessory ex works; Eura Mobil integrates a preassembled kit for easy installation of EFOY fuel cells as standard equipment in its high-end models.

September 2009
SFC holds a roofing ceremony for its new headquarters in Brunnthal bei München with Bavarian Premier Seehofer and 300 distinguished guests. The 7,000-m² building currently being built on Eugen-Sänger-Ring will provide the high-tech company with production, laboratory, office and warehouse space to be occupied by April 2010.

September 2009
SFC and its portable JENNY fuel cell win in the energy category of the Wall Street Journal's 2009 Technology Innovation Awards, a prestigious global competition that recognizes technological breakthroughs.

October 2009
With the EMILY 2200 fuel cell, SFC celebrates the global launch of a high-performance fuel cell designed specifically for the rugged demands of military vehicles. This quiet, lightweight and dependable onboard power supply solution can also be deployed in the field to deliver long-lasting power on a maintenance-free basis and to charge equipment.

October 2009
SFC commences global sales of EFOY Pro 2200 cells. The latest addition to the EFOY Pro Series, the 2200 is the highest-power EFOY Pro fuel cell for off-grid industrial applications. It opens up a whole range of new possibilities for using fuel cells and helps the systems it powers operate even more autonomously.

SUPERVISORY BOARD REPORT

SUPERVISION OF COMPANY MANAGEMENT

The dominant factor in financial year 2009 was the difficult world economy, and the Company responded with a strategy for establishing new markets in the mobility and industry segments and consolidating its business in the high-volume leisure market and with a comprehensive cost-reduction program. The Supervisory Board actively supported these efforts by advising and holding discussions with the Management Board. During the year, the Supervisory Board performed its duties under the law and the Company's articles and regularly monitored the Company's management by receiving reports from and holding joint meetings with the Management Board. The Supervisory Board reviewed transactions requiring its consent and discussed each of them with the Management Board.

SUPERVISORY BOARD COMPOSITION

The Supervisory Board consisted of the following six members in financial year 2009:
(I) Dr. Rolf Bartke (Supervisory Board Chairman),
(II) Rüdiger C. Olschowy (Deputy Chairman),
(III) Wolfgang Biedermann,
(IV) Jakob-Hinrich Leverkus,
(V) Dr. Roland Schlager (through November 30, 2009) and
(VI) Dr. Manfred Stefener.

SUPERVISORY BOARD MEETINGS

In performance of its duties, the Supervisory Board met five times during financial year 2009: on March 23 to review the financial statements for 2008; on April 30, May 12, July 28, October 28, and December 9, 2009. Except for the meeting of April 30, which was a teleconference, all of the meetings were held in person.

During the Supervisory Board's meetings, the Management Board provided the Supervisory Board with comprehensive, timely information regarding the Company's revenue, profit and cash flow trends; budget planning; the Company's current position, including its risk position, risk management and corporate compliance; strategic goals; and any changes in the Company's organization and personnel. The Supervisory Board discussed the organization of the Company and the Group with the Management Board, ensured that its organization and risk management were effective, and discussed significant Company strategy and policy issues with the Management Board. At various Supervisory Board meetings, the Management Board reported to the Supervisory Board on the status of individual business units; the Company's economic, financial and strategic position, the impact of the economic and financial crisis, and material developments and events (such as the entry of a major new shareholder into the Company); the Group's growth strategy, and matters involving the law governing capital markets. The Management Board reported regularly to the Supervisory Board on finance and control, sales and marketing, operations, quality management, human resources, research and development, competition, and patents, and was available to the Supervisory Board for questions and further discussion.

In addition, the Management Board complied with the Rules of Internal Procedure established by the Supervisory Board by routinely providing the Supervisory Board Chairman (and at regular meetings, the entire Supervisory Board) with detailed reports on significant business events affecting the Company, as well as financial data (always in comparison with the budget and the prior year). The Management Board stayed in close contact with the Supervisory Board Chairman and kept him thoroughly informed on current business events.

One key agenda item at Supervisory Board meetings during financial year 2009 was the development of the Company's U.S. branch and continued expansion of its business in the U.S. In particular, at various meetings the Supervisory Board heard the Management Board's reports on the Company's new strategic initiatives in the U.S.; potential new investments in the U.S. market; opportunities to expand the Company's influence in the United States, for example through strategic cooperation with U.S. companies, new hires, or cooperation with outside consultants; and the possibility of receiving grants from the U.S. Government. The Supervisory Board asked questions on these topics and discussed the strategic impact, advantages and disadvantages of possible courses of action; gathered and closely scrutinized detailed information on the total cost of further market penetration in the U.S.; made recommendations to the Management Board on the Company's new strategic initiatives in the U.S.; and closely coordinated these initiatives with the Management Board on a regular basis.

Another significant topic at Supervisory Board meetings during financial year 2009 was the company's M&A strategy. The Supervisory Board reviewed potential acquisitions and potential cooperation with other groups and obtained detailed information on them from the Management Board, other Company employees and external advisors. The Supervisory Board raised questions and took an active part in discussions of the Company's M&A strategy, discussed the risks and opportunities of proposed acquisitions with the Management Board in detail, and requested additional information about them.

The Supervisory Board also dealt with Management Board issues in financial year 2009, such as annual bonuses for Management Board members for financial year 2009 and the Long-Term Incentive Program for Management Board members and executives, as well as the appointment of Management Board member Dr. Jens Müller to a seat on the Supervisory Board.

At its meeting on March 23, 2009, the Supervisory Board primarily discussed the management report and annual financial statements prepared under the German Commercial Code and the group management report and consolidated financial statements prepared under IFRS for financial year 2008, and discussed and approved these documents with the auditor in attendance. At its meeting on December 9, 2009, the Supervisory Board heard a comprehensive report from the Management Board on strategy and plans (including the budget) for 2010.

Supervisory board members Dr. Rolf Bartke (Chairman), Rüdiger C. Olschowy and Dr. Manfred Stefener participated in all Supervisory Board meetings in financial year 2009. Dr. Roland Schlager participated in all Supervisory Board meetings in financial year 2009 until he left the Supervisory Board on November 30, 2009. Member Wolfgang Biedermann was absent and excused from two meetings, and Jakob-Hinrich Leverkus was absent and excused from one meeting. No member was absent for more than half of the Supervisory Board's meetings.

COMMITTEES

As in the past, the Supervisory Board formed two standing committees from among its members: (I) the Audit Committee, consisting of Wolfgang Biedermann (Committee Chairman), Dr. Manfred Stefener and Dr. Rolf Bartke; and (II) the Personnel Committee consisting of Dr. Rolf Bartke (Committee Chairman), Rüdiger C. Olschowy and Jakob-Hinrich Leverkus. The Personnel Committee met three times in financial year 2009, on January 23 (via teleconference), and on March 23 and December 9, 2009. The Audit Committee met four times in financial year 2009, on January 23, March 19, July 28, and October 27. With the exception of the July 28 meeting, the Committee met via teleconference.

The Audit Committee assisted the Supervisory Board with issues related to providing and improving supervision of the Group, thus fulfilling its control function. The Audit Committee discussed the figures for each quarter with the Management Board, thoroughly reviewed and discussed financial indicators, and coordinated capital market communications with the Management Board. It also advised the Supervisory Board on issues regarding the focus of the audit of the annual and consolidated financial statements for 2008 and the establishment of the financial calendar, and made recommendations to the Supervisory Board accordingly. The Audit Committee also dealt with the Company's risk management system.

The Personnel Committee assisted the Supervisory Board in preparing for personnel decisions that are reserved for the Supervisory Board. For example, the Personnel Committee handled target and bonus agreements with Management Board members, as well as implementation and design of the Long-Term Incentive Plan, and made recommendations to the Supervisory Board accordingly.

CORPORATE GOVERNANCE

Information on Supervisory Board-related aspects of the Company's corporate governance can be found in the corporate governance statement in this annual report (page 24).

Compensation of Supervisory Board members is reported individually and broken down by components in the Compensation Report, which is reproduced in this annual report (page 26).

In financial year 2009, the Supervisory Board thoroughly examined potential conflicts of interest affecting its members and discussed and agreed upon its procedure for handling such conflicts should they arise. There were no conflicts of interest involving Supervisory Board members during the past year.

Pursuant to the requirements of the German Corporate Governance Code, in financial year 2009 the Supervisory Board examined the efficiency of its activities. The Company is committed to complying with the recommendations of the German Corporate Governance Code. The annual compliance statement required from the Management Board and Supervisory Board is available on the Company's homepage at www.investor-sfc.de/en/corporate_governance.php. The most recent report dates from March 22, 2010.

ACCOUNTING

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed by the annual meeting of shareholders to audit the Company's financial statements and engaged for the audit by the Supervisory Board. The Supervisory Board negotiated the audit engagement, indicated the focal points of the audit and engaged the auditors. The agreed focal points for the consolidated financial statements under IFRS were: capitalization of development costs; treatment of government grants; Long-Term Incentive Program; revenue recognition using the completed contract method under the German Commercial Code (HGB) versus using the percentage of completion method under IFRS; regular auditing of the Company's internal control system, with special emphasis on its purchasing, sales, personnel and inventory management processes; and audits of the group management report and the consolidated notes, particularly as regards completeness of the notes under IFRS.

The auditor audited the annual financial statements of SFC Smart Fuel Cell AG at December 31, 2009 as prepared by the Management Board under the German Commercial Code, along with the management report, including the bookkeeping, and issued an unqualified audit report. Under Section 315a of the German Commercial Code, the Group's consolidated financial statements were prepared on the basis of International Financial Reporting Standards (IFRS) as applicable in the European Union. The auditor also issued an unqualified audit report on the consolidated financial statements and group management report. The auditor also audited the early risk detection system for SFC Smart Fuel Cell AG pursuant to Section 317(4) of the German Commercial Code and determined that management is meeting its control and transparency obligations with respect to operations and strategy, as established by law.

The Supervisory Board Meeting met to review the financial statements on March 24, 2010. The members received documentation on the annual and consolidated financial statements, the audit reports, and all other documents and reports in advance of the meeting, reviewed them carefully, and discussed them thoroughly during the meeting. Because the annual financial statements for the financial year ended December 31, 2009 show no net income for the year, no proposal for allocating net income was required from the Management Board. The auditor participated in the meeting, reported on the course of the audit and the audit reports and was available to answer questions, provide additional information, and discuss the documents.

The Supervisory Board reviewed the annual and consolidated financial statements and the corresponding management reports in light of its discussion with the auditor and the auditor's reports, and agreed with the result of the audit. Based on its own review of the annual and consolidated financial statements and the corresponding management reports, the Supervisory Board determined that it had no objections to make. At its meeting on March 24, 2010, it approved the annual and consolidated financial statements for financial year 2009 and the corresponding management reports. The annual financial statements were thus established in accordance with Section 172 (1) of the German Stock Corporation Act.

The Supervisory Board would like to thank the members of the Management Board and all of the Company's employees for their deep commitment to and hard work for the Company, and for their achievements in financial year 2009.

Brunnthal, March 24, 2010
The Supervisory Board

Dr. Rolf Bartke (Chairman)

THE SHARE

DEVELOPMENT OF THE INDEXES AND THE SFC SMART FUEL CELL-SHARE

SHARE PRICE DEVELOPMENT 2009–2010 in T€

The stock markets got off to a slow start in 2009. Drastically reduced expectations of corporate profits as a result of the global financial and economic crisis caused stock indexes to plummet by more than 20 percent at the beginning of the year. At the beginning of March many indexes recorded a low for the year. The DAX sank temporarily under the 3,700-point mark. Hopes that the global economy would stabilize led to a recovery of the stock indexes during the second quarter. This trend increasingly received fundamental support during the remainder of the year. Improved economic data and a stabilization of the economy at a low level strengthened the recovery on the stock markets by the end of the calendar year, with many indexes reaching record highs for the year.

Germany's DAX recovered significantly by year end. After reaching a low for the year of 3,666 points in March and a high of 6,012 points on December 29, 2009, it ended the year at 5,957 points, with shares up approximately 24 % over the end of the previous year. The TecDAX increased by 55.6 %. This select index also reached a low for the year in March at 405 points and a high on December 16 at 823 points.

Small Caps in the field of socially responsible investments (SRI) experienced tremendous pressure in early 2009, particularly because of additional divestments by institutional investors. This trend occurred at the same time as the TecDAX and SDAX trends described above in the first months of 2009. However, the primary market, i.e. IPOs, did not start up again in 2009 either: there was not a single IPO in the SRI sector in 2009, after Schott Solar and Scan Energy canceled their plans to go public. The uncertain political situation, particularly for the solar industry, put additional pressure on this segment.

After reaching a low in March 2009, many shares recovered significantly. Many investors hope that there will be a "V-shaped recovery". Until October, the SFC share benefited from this positive mood as well: the low for the year was reached in March at € 5.25, while the high for the year was reached on October 13 at € 8.72. At year end the price fell to € 6.67, which resulted in a 0.5% decrease for the entire year 2009. The average price in 2009 was € 6.43. A total of 2,187,670 SFC shares were traded, which represents an average volume of trading of 8,613 shares per day or an average daily volume of trading of € 55,381.

INVESTOR RELATIONS

Management Board and Investor Relations team at SFC Smart Fuel Cell AG continue to pursue the course set during the IPO in 2007 by engaging in ongoing dialogue with investors, analysts and representatives of the financial press. In 2008, for the second time in a row, SFC Smart Fuel Cell AG's annual report was awarded the bronze medal in the Energy category at the international 2008 Visions Award competition of the League of American Communications Professionals (LACP), where it was selected from among more than 3,000 participants from 20 countries.

The Management Board of SFC Smart Fuel Cell AG presented the Company's quarterly and half-year figures at roadshows, at investor conferences, and in numerous individual discussions at many financial centers in Germany, the rest of Europe and the United States. Interests groups with knowledge of the industry were informed about SFC's business model and the current trends in its business.

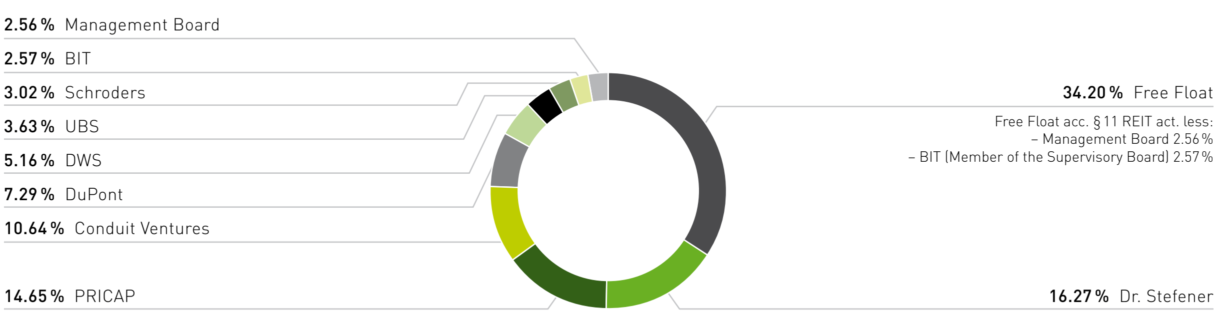
In times when many research firms stopped covering companies with small market capitalization, SFC kept the amount of analyst coverage in 2009 at a comparably high level. As in the previous year, six banks or research firms published regular studies on SFC. This shows that SFC's investor relations work continues to ensure visibility of the SFC share and makes sure that it receives regular research coverage at the national and international level.

SHAREHOLDER STRUCTURE OF SFC SMART FUEL CELL AG

SFC Smart Fuel Cell AG attracted a new large shareholder in 2009: UK-based Conduit Ventures Ltd. ("Conduit"). Conduit is an institutional investor specialized in fuel cells and related technologies to increase energy efficiency. It was founded and is financed by JohnsonMatthey, Shell and Mitsubishi, among others.

At December 31, 2009, there were 7,152,887 shares of SFC Smart Fuel Cell AG in circulation. Free float amounted to 34.2%.

SHAREHOLDERS STRUCTURE AS OF DECEMBER 31, 2009 in %



A WORD OF THANKS TO OUR SHAREHOLDERS

We would like to express our thanks to our shareholders and investors for their confidence. In the interest of creating as much transparency as possible, we allow our shareholders and all interested parties to inspect public documents providing insight into the current business and future outlook for SFC Smart Fuel Cell AG. Our website www.sfc.com offers comprehensive information about the company and our products and markets. Under the "Investors" tab we also provide information about the share as well as information about topics ranging from the annual shareholders' meeting to our annual and quarterly reports, ad-hoc and other press releases, corporate news, directors' dealings and our financial calendar. We would also be happy to send you current information by e-mail or regular mail upon request.

CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE AND CORPORATE GOVERNANCE REPORT

Management Board and Supervisory Report give the following report on the corporate governance of SFC Smart Fuel Cell AG pursuant to Section 3.10 of the German Corporate Governance Code:

The term corporate governance implies the development of a management system which leads to a responsible, transparent and sustainable creation of value and refers to a company's entire management and control system, including its organization, principles of business policy and guidelines for internal and external steering and monitoring mechanisms. Corporate governance promotes trust among domestic and international investors, business partners, the financial markets, employees and the general public in the management and control of SFC Smart Fuel Cell AG. Instruments of effective corporate governance are efficient cooperation between Management and Supervisory Board in a relationship of mutual trust, respect for shareholders' interests as well as open, up-to-the-minute corporate communication. Management and Supervisory Boards of SFC Smart Fuel Cell AG are committed to upholding the principles of good corporate governance and believe that these principles are an essential building block in the Company's success.

SFC Smart Fuel Cell AG reviews its system of corporate governance at regular intervals and introduces improvements. SFC Smart Fuel Cell AG follows all but three of the recommendations of the German Corporate Governance Code. The three exceptions are explained in the following statement made in accordance with Section 161 of the German Stock Corporation Act.

COMPLIANCE STATEMENT PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT

Management Board and Supervisory Board issued the following statement pursuant to Section 161 of the German Stock Corporation Act on March 22, 2010:

"Management Board and Supervisory Board of SFC Smart Fuel Cell AG declare pursuant to Section 161 of the German Stock Corporation Act that with the following exceptions, the Company has complied and will comply in full with the Recommendations of the 'Government Commission on the German Corporate Governance Code,' as amended:

- Section 3.8 (2) of the Code in the version dated June 6, 2008 recommends agreeing on a suitable deductible in the event a company takes out D&O (directors' and officers' liability) insurance for its management board. Pursuant to Section 3.8 (2) Sentence 1 of the Code in the version dated June 18, 2009, which corresponds to the provisions of Section 93 (2) Sentence 2 of the German Stock Corporation Act (AktG), as amended by the Act on the Appropriateness of Management Board Compensation (VorstAG), the deductible for management board members must equal at least 10 % of the loss up to at least the amount of one and a half times the fixed annual compensation of the respective management board member. We took out a D&O policy for the members of our Management Board prior to the promulgation of the Act on the Appropriateness of Management Board Compensation. That policy does not include such a deductible, and, in response to our inquiry, the insurer was not willing to lower the premium if we subsequently added a deductible. Pursuant to Section 23 (1) of the Introductory Act to the German Stock Corporation Act, as amended by the Act on the Appropriateness of Management Board Compensation, the deductible for management board members must be adapted to the requirements of the Act on the Appropriateness of Management Board Compensation by July 1, 2010 at the latest. Therefore, by July 1, 2010 we will take out a new D&O policy for the members of the Management Board and of the Supervisory Board that complies with the statutory requirements.

- Section 4.2.3 (4) of the Code recommends that care be taken when management board contracts are executed to ensure that any payments, including benefits, made or provided to a management board member on premature termination of his contract without serious cause do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract. The contracts we have executed with the members of our Management Board do not provide for such a severance payment cap in the event of a premature termination without serious cause since each of these contracts have a remaining term of contract of less than two years. When concluding new contracts with members of the Management Board, we will pay attention to appropriate severance payment caps.

- Section 5.3.3 of the Code recommends that supervisory boards should form a nominating committee composed exclusively of shareholder representatives, which will propose suitable candidates to the supervisory board as nominees for election to the supervisory board at the shareholders' meeting. Our Supervisory Board has not formed a nominating committee. Consistent with the legal literature on this subject, SFC Smart Fuel Cell AG supports the position that forming a nominating committee is obsolete if no employees are represented on the Supervisory Board. It therefore declines to form such a committee.

The compliance statement can be accessed at any time via the Company's website at www.investor-sfc.de/en/corporate_governance.php.

STRUCTURE AND WORK OF THE MANAGEMENT AND SUPERVISORY BODIES

SFC Smart Fuel Cell AG believes that a corporate governance system and control structure rooted in responsible behavior and transparency are the foundation for creating value and instilling confidence in our Company. The structure of our management and supervisory bodies is as follows:

Shareholders and General Meeting

The shareholders of Smart Fuel Cell AG exercise their rights in the Company at the general meeting, where they participate in decisions and vote. The Company regularly informs its shareholders, as well as analysts, shareholders associations, media representatives and the interested public, through its financial calendar, which is published in the annual report, the quarterly reports and on the Company's website. As part of its investor relations activities, the Company regularly meets with analysts and institutional investors. The Company also holds an analysts' conference each year. The last such conference took place on November 10, 2009. The annual general meeting of SFC Smart Fuel Cell AG is held within the first eight months of each financial year. At the annual general meeting, shareholders resolve on all matters reserved for their decision by law, including appropriation of the profit, election and discharge of the acts of the Supervisory Board members and discharge of the acts of the Management Board members, election of the auditors, amendments to the Company's articles of association and other matters.

In advance of the annual general meeting, shareholders receive in-depth information about the financial year under review through the annual report and details about the agenda items through the notice of meeting, both of which make it easier for them to exercise their rights and prepare for the meeting. All of the documents and information pertaining to the annual general meeting, including the annual report, are also published on the Company's website. To facilitate the exercise of shareholders' rights, SFC Smart Fuel Cell AG offers any shareholder who is unable or chooses not to exercise his or her voting rights at the annual general meeting in person the opportunity to have them exercised through a proxy in accordance with instructions.

Close Cooperation between the Management Board and Supervisory Board

Management Board and Supervisory Board of SFC Smart Fuel Cell AG work closely together for the good of the Company. They pursue the joint goal of contributing to a sustainable increase in the Company's value. The Management Board of SFC Smart Fuel Cell AG, which currently consists of Dr. Peter Podesser and Dr. Jens Müller, jointly manages the Company with the goal of creating sustainable value on its own responsibility and in the best interests of the Company, i.e., with the interests of the shareholders, employees and other stakeholders in mind. The Management Board regularly provides the Supervisory Board with timely reports that offer an in-depth portrayal of all relevant issues of planning, the course of business, strategy, risk position and risk management, and all other important events that are of material importance for management of the Company. The strategic orientation of SFC Smart Fuel Cell AG is also regularly coordinated with the Supervisory Board, and material decisions of the Management Board are subject to Supervisory Board consent.

Composition of the Supervisory Board

Pursuant to the articles of association, the Company's Supervisory Board consists of a total of six members, all of whom are elected by the shareholders. Following Dr. Schlager's departure from the Supervisory Board effective November 30, 2009, the Supervisory Board was left with five members elected by the general meeting, namely (I) Dr. Rolf Bartke (Chairman of the Supervisory Board), a business engineer from Berlin, (II) Rüdiger C. Olschowy (Vice Chairman of the Supervisory Board), a businessman from Schliersee, (III) Wolfgang Biedermann, a businessman from Hamburg, (IV) Jakob-Hinrich Leverkus, a businessman from Hamburg, and (V) Dr. Manfred Stefener, an engineer from Munich. In addition, at the request of the Management Board, the Local Court of Munich appointed David Morgan to the Supervisory Board effective March 8, 2010. The election of Mr. Morgan will be put to the shareholders for a vote at the next annual general meeting, which is scheduled for May 6, 2010.

The Supervisory Board actively guides the Management Board through advice and discussions, performs the duties incumbent on it by law and the articles of association, and supervises the conduct of the Company's business on the basis of Management Board reports and joint meetings (see the Supervisory Board report, page 15).

Other than Dr. Manfred Stefener, there are no former members of SFC Smart Fuel Cell AG's Management Board who are members of the Supervisory Board. The Management Board and the Supervisory Board believe that the Supervisory Board consists of a sufficient number of independent members.

There were no conflicts of interest involving Management Board and/or Supervisory Board members in the past financial year. There were no consulting and/or other service and work contracts between members of the Supervisory Board and the Company.

Committees of the Supervisory Board

There are two Supervisory Board committees, the Audit Committee, which met four times in 2009, and the Personnel Committee, which met three times in 2009. Members of the Audit Committee are Wolfgang Biedermann (Chairman of the Audit Committee), Dr. Manfred Stefener and Dr. Rolf Bartke; members of the Personnel Committee are Dr. Rolf Bartke (Chairman of the Personnel Committee), Rüdiger C. Olschowy and Jakob-Hinrich Leverkus. The Audit Committee deals, in particular, with issues of accounting and risk management, the necessary independence of the auditors, the engagement of the auditors, the specification of focal points of the audit and the agreement on the auditors' fee. The chief task of the Personnel Committee is to assist the Supervisory Board by preparing the personnel decisions that are reserved for the Supervisory Board.

Since its amendment on June 14, 2007, the Code now recommends under Section 5.3.3 that the Supervisory Board form a nominating committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the shareholders' meeting. SFC Smart Fuel Cell AG believes that the formation of a nominating committee is not necessary if there are no employee representatives on the Supervisory Board, an opinion it shares with the legal literature on this subject. Therefore, it will not be forming such a committee.

Risk Management

One of the tasks of any system of good corporate governance is to deal with risks responsibly. The Management Board of SFC Smart Fuel Cell AG ensures that the Company's risk management and risk controlling are sufficient. Doing so guarantees that risks are identified in time and the degree of exposure minimized. The Risk Report, which starts on page 45 of this Annual Report, contains more detailed information about the Company's risk management.

Transparency

SFC Smart Fuel Cell AG aims to secure the greatest transparency possible and to provide all target groups with the same information at the same time. All target groups can keep abreast of the latest developments at the Company online. SFC Smart Fuel Cell AG publishes ad hoc announcements on its website, as well as press releases and corporate news. The latest statement regarding compliance with the German Corporate Governance Code and all previous compliance statements are also accessible via the Company's website.

Pursuant to Section 15a of the German Securities Trading Act, the members of SFC Smart Fuel Cell AG's Management and Supervisory Boards and certain senior executives, as well as individuals and entities closely related to and affiliated with them, must report the purchase and sale of shares in SFC Smart Fuel Cell AG and any related financial instruments.

Supervisory Board member Rüdiger C. Olschowy notified the Company that BIT Fund II GmbH & Co KG, in which he holds an ownership interest, sold a total of 8,329 no-par shares of the Company on November 16, 2009, and that BIT Holdings GmbH, in which Mr. Olschowy also holds an ownership interest, sold a total of 15,009 no-par shares of the Company in the period from December 1, 2009 to December 2, 2009.

All directors' dealings pursuant to Section 15a of the German Securities Trading Act are published on the Company's website at www.sfc.com. The total number of shares of SFC Smart Fuel Cell AG held by Management Board members and Supervisory Board members as of December 31, 2009 equalled 2.56 % and 18.84 % of the shares issued by the Company, respectively.

Accounting and Auditing

The consolidated financial statements of SFC Smart Fuel Cell AG as well as the Company's interim reports are prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the guidelines of the International Accounting Standards Board. The annual general meeting elected Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Munich, to serve as the auditors for the 2009 financial year, and the Supervisory Board engaged the firm. The auditors participated in the Audit Committee's discussions concerning the consolidated financial statements and reported on the material results of their audit. Shareholders and other interested parties can access the consolidated financial statements and interim reports on the Company's website.

COMPENSATION REPORT

The compensation report summarizes the principles used in determining the compensation of the Management Board of SFC Smart Fuel Cell AG and explains amounts and structure of the compensation. The compensation report also describes principles and amounts of compensation of the Supervisory Board and provides information about the Management and Supervisory Boards' shareholdings in the Company.

System of Compensation for the Management Board

Pursuant to the German Stock Corporation Act, as amended by the Act on the Appropriateness of Management Board Compensation, the determination of the Management Board's compensation is a matter reserved for the full Supervisory Board. The compensation of the members of the Management Board consists of the following elements:

Each year members of the Management Board receive a base salary that is paid in twelve or thirteen monthly installments.

If defined performance targets are reached, they also receive a variable compensation (performance-based bonus). In the 2009 financial year, the targets were for the Company to reach the amounts budgeted for sales, gross margin and net result (or EBIT) and each was tied to 25% of the bonus. The Supervisory Board decides on the award of the remaining 25% of the bonus.

The members of the Management Board additionally have the opportunity within the framework of a Group long term incentive program (LTIP) to receive bonus payments in the period from January 1, 2009 to December 31, 2013, under certain circumstances and if certain performance targets are reached. The program is based on a phantom stock model and is divided into three performance periods of three years each: financial years 2009 to 2011, 2010 to 2012 and 2011 to 2013. The compensation awarded at the end of each of the three-year periods predominantly depends on the Company's stock price and the attainment of a defined EVA (Economic Value Added) target for the respective period. Additional information about the LTIP can be found in the Group Management Report on page 43.

Finally, the members of the Management Board receive certain fringe benefits. For example, the Company provides the two members of its Management Board with a company car. It pays the premiums for their accident, pension and life insurance up to a maximum of € 10,000.00 per year and has taken out directors' and officers' liability insurance on both of them.

Compensation of the Management Board in 2009

The remuneration of the members of the Management Board totaled € 848,974 in financial year 2009. The remuneration for financial year 2009 included the fixed salary, non-cash perquisites, variable performance-based compensation, expenditure for the Long Term Incentive Program and premiums for accident, pension, and life insurance. The above total includes all amounts that were paid out in 2009 or set aside as provisions in the consolidated financial statements for 2009, less the amounts that had been set aside as of December 31, 2008.

The total and individual remuneration (incl. non-cash perquisites) of the individual members of the Management Board in 2009 breaks down as follows:

FINANCIAL YEAR 2009				in €
	fixed compensation	short-term performance based compensation	long-term performance based compensation	Total
Dr. Peter Podesser	311,150	82,500	88,970	482,620
Dr. Jens Müller	235,963	56,250	74,141	366,354
Total	**547,113**	**138,750**	**163,111**	**848,974**

Compensation of the Supervisory Board

In keeping with the recommendation of the German Corporate Governance Code, the compensation of Supervisory Board members comprises a fixed and variable component. The amount of the compensation was most recently adjusted at the annual general meeting held on April 2, 2007.

The members of the Supervisory Board are entitled to reimbursement of the out-of-pocket expenses they incur for exercising their duties as Supervisory Board members, which includes any value added tax attributable to those expenses, as well as inclusion in the directors' and officers' liability insurance policy the Company takes out for its governing bodies. They also receive a fixed remuneration payable after the close of the financial year of € 20,000 per member. The chairman of the Supervisory Board receives twice, and the vice chairman one and a half times, this amount. In addition, each Supervisory Board members receives € 5,000 more per year for every Supervisory Board committee he chairs and € 2,500 more per year for every Supervisory Board committee in which he serves as a member. Moreover, each member receives variable compensation equal to € 100 for every € 0.01 by which the dividend paid on each share exceeds the sum of €1.00 per share. This component of the compensation was not relevant for the 2009 financial year since no dividend was paid.

The total and individual remuneration of the individual members of the Supervisory Board in 2009 breaks down as follows:

REMUNERATION OF THE SUPERVISORY BOARD IN 2009	in €
Dr. Rolf Bartke	47,500
Rüdiger C. Olschowy	32,500
Wolfgang Biedermann	25,000
Jakob-Hinrich Leverkus	22,500
Dr. Roland Schlager (until November 30, 2009)	18,333
Dr. Manfred Stefener	22,500
Total	**168,333**

Share Option Programs

There were no more share options outstanding in financial year 2009. Share options from the share option programs launched in prior years were last exercised in financial year 2008.

DIRECTOR'S SHAREHOLDINGS

	12/31/2009
Management Board	
Dr. Peter Podesser	115,800
Dr. Jens Müller	67,338
Supervisory Board	
Dr. Rolf Bartke	0
Rüdiger C. Olschowy, BIT Holdings GmbH	162,254
Wolfgang Biedermann	0
Jakob-Hinrich Leverkus	7,200
Dr. Roland Schlager (until 30/11/2009)	3,506
Dr. Manfred Stefener	1,163,758

STATEMENT OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE ISSUED BY THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF SFC SMART FUEL CELL AG PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

Under Section 161 of the German Stock Corporation Act (AktG), the management board and supervisory board of every German stock corporation listed on an exchange must issue a declaration annually that the company has complied and will comply with the Recommendations of the Government Commission on the German Corporate Governance Code as published by the Federal Ministry of Justice in the official portion of the electronic version of the German Federal Gazette, the Bundesanzeiger, and which Recommendations, if any, it has not applied or will not apply. The declaration must be made permanently available to the public on the company's website. Companies are thus permitted to deviate from the Code Recommendations, but are then required to disclose and explain these deviations each year. This enables companies to take account of the specific needs of their own industry or organization. Thus, the Code helps German corporations achieve greater flexibility and a higher degree of self-regulation in their internal structures.

For the period from the last Compliance Statement of March 23, 2009, until August 4, 2009, the following statement refers to the version of the Code dated June 6, 2008, as published in the electronic version of the Bundesanzeiger on August 8, 2008. Since August 5, 2009, the statement refers to the version of the Code dated June 18, 2009, as published in the electronic Bundesanzeiger on August 5, 2009.

In accordance with Section 161 of the German Stock Corporation Act (AktG), the Management Board and Supervisory Board of SFC Smart Fuel Cell AG declare that with the following exceptions, the Company has complied and will comply in full with the Recommendations of the Government Commission on the German Corporate Governance Code, as amended:

- Section 3.8 (2) of the Code in the version dated June 6, 2008 recommends agreeing on a suitable deductible in the event a company takes out D&O (directors' and officers' liability) insurance for its management board. Pursuant to Section 3.8 (2) Sentence 1 of the Code in the version dated June 18, 2009, which corresponds to the provisions of Section 93 (2) Sentence 2 of the German Stock Corporation Act (AktG), as amended by the Act on the Appropriateness of Management Board Compensation (VorstAG), the deductible for management board members must equal at least 10 % of the loss up to at least the amount of one and a half times the fixed annual compensation of the respective management board member. We took out a D&O policy for the members of our Management Board prior to the promulgation of the Act on the Appropriateness of Management Board Compensation. That policy does not include such a deductible, and, in response to our inquiry, the insurer was not willing to lower the premium if we subsequently added a deductible. Pursuant to Section 23 (1) of the Introductory Act to the German Stock Corporation Act, as amended by the Act on the Appropriateness of Management Board Compensation, the deductible for management board members must be adapted to the requirements of the Act on the Appropriateness of Management Board Compensation by July 1, 2010 at the latest. Therefore, by July 1, 2010 we will take out a new D&O policy for the members of the Management Board and of the Supervisory Board that complies with the statutory requirements.

- Section 4.2.3 (4) of the Code recommends that care be taken when management board contracts are executed to ensure that any payments, including benefits, made or provided to a management board member on premature termination of his contract without serious cause do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract. The contracts we have executed with the members of our Management Board do not provide for such a severance payment cap in the event of a premature termination without serious cause since each of these contracts have a remaining term of contract of less than two years. When concluding new contracts with members of the Management Board, we will pay attention to appropriate severance payment caps.

- Section 5.3.3 of the Code recommends that supervisory boards should form a nominating committee composed exclusively of shareholder representatives, which will propose suitable candidates to the supervisory board as nominees for election to the supervisory board at the shareholders' meeting. Our Supervisory Board has not formed a nominating committee. Consistent with the legal literature on this subject, SFC Smart Fuel Cell AG supports the position that forming a nominating committee is obsolete if no employees are represented on the Supervisory Board. It therefore declines to form such a committee.

Brunnthal, March 22, 2010

For the Management Board
Dr. Peter Podesser

For the Supervisory Board
Dr. Rolf Bartke

GROUP MANAGEMENT REPORT

The following Group Management Report has been prepared in the German language. It has been translated for this annual report into English.
In the event of questions of interpretation, the German version shall be authoritative.

GROUP MANAGEMENT REPORT FOR FINANCIAL YEAR 2009

1. BUSINESS AND BACKGROUND CONDITIONS

Business activity and organizational structure

SFC Smart Fuel Cell AG ("SFC") develops, produces, and distributes novel power generation systems that are based on direct methanol fuel cell (DMFC) technology. The Company's product portfolio also includes accessories and spare parts, particularly fuel cartridges, and solutions for combining fuel cell products with other power sources and consumers (the "Power Manager"). SFC is the first company in the world with genuine series-produced commercial products in the area of methanol fuel cells for multiple target markets. The Company's German location is in Brunnthal. SFC is represented in the United States by its subsidiary SFC Smart Fuel Cell, Inc., in Atlanta.

SFC is benefiting from several important economic and societal trends (market drivers), such as a greater need for convenience and functionality in leisure and special vehicles; increased use of wireless information technology; greater automation of measurement tasks; intelligent traffic control, monitoring, and security systems; heavier power consumption in the defence segment; changes in the political security situation; and the trend toward efficient power supplies that will save energy. A clean, efficient off-grid power supply is a genuine enabling technology that according to SFC will allow for many products that are unsuccessful today because of insufficient power supplies.

The Group's main products are compact fuel cell generators that are sold under the EFOY brand, mostly to the European leisure market (primarily to supply electricity to recreational vehicles) and in the market for remote industrial applications. Highly-miniaturized versions of these products are being supplied as pilot-series portable power sources to customers in the defence segment. In addition to these products, a further portion of sales is generated by joint development agreements (JDAs) with military customers from Europe and the United States.

On the market side, the Group is divided into the following segments: For the Leisure segment, the Group offers series-produced products through established commercial channels (wholesalers, retailers, and OEM's). In the Industry segment, it serves the market for off-grid, stationary power supply solutions, for such applications as environmental sensors, security equipment, and traffic technology. Defence includes a business in series products, but also development contracts to supply prototypes to military organizations. SFC is also tapping other markets, such as power supplies in the Mobility segment, for light electric vehicles that are smaller than cars, as well as on-board power supplies for official and special vehicles.

As a result of the public stock offering and subscription rights offering in May 2007, SFC is solidly equipped with the capital it needs to finance future growth.

The Management Board of SFC is responsible for running the Group. The Supervisory Board appoints, monitors, and advises the Management Board and is directly involved in decisions that are of fundamental importance for the Group. Information on the remuneration structures of the Management Board and Supervisory Board is contained in the report on remuneration.

In financial year 2009 and previous years, the main focus of the Group was on building up the market and expanding market penetration while simultaneously reducing production costs through technological innovation. In 2009, sales declined 19.7 % to € 11,687k, in line with the Group's expectations. Nevertheless, the Group was able to consolidate its market position in its market segments as the only provider of commercially available, series-produced fuel cell systems, as well as to achieve considerable successes in expanding business further and to make obvious improvements to the margin situation.

Within the framework of the existing comprehensive risk management system, numerous non-financial performance indicators such as quality parameters are used in addition to detailed financial reporting and controlling.

The legal basis for management and supervision of the Company is the German Stock Corporation Act (Aktiengesetz) and Capital Market Act (Kapitalmarktgesetz), as well as the German Corporate Governance Code.

2. THE ECONOMY AND THE INDUSTRY ENVIRONMENT: THE GLOBAL ECONOMY HAS TOUCHED BOTTOM

Financial year 2009 was very much affected by the world economic crisis. Following the slump during the second half of 2008, production and business increased again slightly in spring 2009, as a result of billions spent on economic stimulus programs all over the world, the massive expansive effects of monetary policies, and the relatively low price of oil. According to the Ifo World Economic Survey, the world economic climate improved during the fourth quarter for the third time in succession. The increase in this indicator results both from more favourable expectations for the first half of 2010 and from less negative assessments of the current economic situation.[1]

Germany – Economy contracts considerably in 2009 – But expectations for 2010 are cautiously positive

The German gross domestic product (GDP) was 5.0 % lower in 2009 than during the previous year after adjustment for inflation[2]. This means that the German economy contracted more last year than at any time since the Second World War. The cause was the worldwide financial and economic crisis, which hit German foreign trade particularly hard. Following the extreme collapse during the winter half of 2008/09, however, the German economy recovered noticeably starting in spring 2009, although at a low level.

The pace of the economic recovery did slow markedly again toward the end of 2009. According to the German Federal Statistical Office (Statistisches Bundesamt), the German economy stagnated during the fourth quarter of 2009 against the previous quarter. It had still made moderate gains during the second and third quarters of 2009.

1 Ifo Economic Forecast 2010, Ifo Institute, Dec. 2009
2 German Federal Ministry of Economics and Technology, Wachstum 2009, Jan. 2010

After reaching its historic low during the first quarter of 2009, the Ifo Business Climate Index rose continuously through the end of 2009. In spite of that improvement, the business outlook was even worse than after the attacks on the World Trade Center. Business expectations for the first six months of 2010, particularly for foreign business, continue to be cautiously positive.

There were double-digit decreases in 2009 for capital expenditures on plant and equipment. According to data from the German Federal Statistical Office in Wiesbaden, companies spent 20 % less for new plant and equipment than during the previous year[3].

Exports, which in past years have been a reliable engine for growth, actually had negative effects on the economy in 2009. For the first time since 1993, Germany exported fewer goods and services than during the previous year: After years of constantly growing export figures, exports decreased 14.7 % last year after adjustment for inflation. The decline in imports was only 8.9 %.

Private consumer spending increased 0.4 % after adjustment for inflation – primarily supported by state incentives for the purchase of new cars. State consumer spending increased 2.7 %.

The recreational vehicle industry [4] and marine market

For the caravan industry 2009 was a difficult year. The entire European market suffered from a massive double-digit slump, with declining registrations for both the caravan and the recreational vehicle segments. Decreases in production were even more pronounced for some manufacturers and many suppliers.

The German market followed the international trend. Registrations at the Federal Motor Transport Authority (KBA) in Flensburg were down by approximately 30 % during the first quarter of 2009, although registration numbers stabilized during the second half of the year at a lower level. Nonetheless, by the end of 2009 new registrations of recreational vehicles in Germany had fallen 16.1 % to 17,556, a serious setback. Expectations appear somewhat rosier for 2010, and it is probably realistic to expect a mid-single-digit decrease in registrations in Germany.

The decline in production was particularly drastic. Last year 22,312 new vehicles were manufactured in Germany, a total of 42.2 % fewer than during the previous year. The collapse in orders, high inventory levels, and financial bottlenecks due to the economic crisis forced the caravan industry, which is primarily made up of small- and medium-sized enterprises, to make the cuts. Production cutbacks went far beyond the actual decline in the market, because the large inventory of new vehicles that had been accumulated during the boom years had to be reduced considerably to give the dealers more financial flexibility. According to CIVD, the caravan industry association, that is how the inventory of new vehicles in Germany was reduced from 32,800 vehicles in 2008 to 21,000 units in 2010.

Exports were also massively impacted. According to calculations by CIVD, German manufacturers exported only 11,222 recreational vehicles last year, a decline of 38.7 %. A total of 18,309 recreational vehicles had been exported in 2008. About 50 % of the vehicles that were produced were thus sold outside of Germany.

3 German Federal Statistical Office Wiesbaden, Wirtschaftsdaten 2009, Jan. 2010
4 Data: CIVD Caravaning Industrie Verband e.V.

The European Caravan Federation (ECF), the umbrella organization of the national representatives of the European leisure vehicle industry, gathers data on performance and sales volumes in the market for caravans and recreational vehicles. The European recreational vehicle markets slackened considerably last year. According to the available data, registrations of recreational vehicles in Europe were down 21.1 %. The ECF estimates that a total of 67,700 recreational vehicles were registered in Europe.[5]

The biggest losers were the Scandinavian caravan markets, with an average of over minus 30 %. Spain also experienced considerable setbacks. Recreational vehicle registrations in Italy were also down sharply (– 31,3 %). The trend for registrations in Belgium and Switzerland was more stable. ECF anticipates that production figures will revive in 2010, because new vehicle inventories throughout Europe have been considerably reduced.

The Marine segment was subject to influences similar to those in the recreational vehicle market. Consumers' increased reluctance to buy could be felt in this market, too.

Industrial market: Remote power supply solutions

The demand for solutions that can reliably provide remote power for industrial applications also grew in 2009, given the increasing number of devices that are used far from any power outlets. Typical applications include off-grid sensors and measuring equipment and surveillance, security, and traffic technology systems. EFOY Pro fuel cells by SFC are increasingly viewed as a genuine "enabling technology" that allows many operators of remote installations to create new, more cost-efficient concepts with enhanced functions. However, converting systems and equipment that are strategically important for security to new power supply concepts does require a decision to invest – which follows a correspondingly long test phase. The industrial segment often postponed decisions to invest in 2009 because the critical economic situation made planning more difficult, so 2009 was also characterized by customers' considerable reluctance to buy. We therefore anticipate that this market will become more important in 2010.

Mobility

The still relatively young market for mobile power supply solutions grew strongly in 2009. These are primarily solutions that provide reliable power to operate electrical equipment on emergency, rescue, surveillance, special-purpose, and mobile office vehicles. The general reluctance to buy which is described above could also affect this market in 2010, depending on the overall economic trend.

Defence

It is generally difficult to make forecasts about the defence market because it is less transparent, is dependent on political decisions and developments, is less predictable, and has a distinct predominance of project work. The defence segment all over the world was seriously affected by the financial market and economic crisis in 2009. Both in Europe and in the United States, capital expenditures that were planned for 2009 were frequently postponed into future years. Although no projects in the area of alternative remote power supply solutions were cancelled in 2009, no new orders were placed for series products, either. It is currently difficult to assess how this market will develop in 2010.

5 Data: ECF European Caravan Federation

3. EARNINGS AND FINANCIAL POSITION

Earnings position

The worldwide recession was also reflected in SFC's earnings position during financial year 2009. Sales during that period declined 19.7 % from the previous year, in line with the Group's expectations. Following € 14,554k in financial year 2008, sales revenue declined to € 11,687k. The products' share of sales rose to 90.2 % in 2009, compared with 75.9 % for the previous year, while the share of sales from JDAs and other consulting services decreased correspondingly.

Sales by segment

The decline in sales is primarily attributable to lower sales in the Defence segment (C-series, Power Manager, and JDAs), down 62.8 %. In spite of the difficult general economic situation in the civilian market, sales were up 5.0 % from the previous year.

SALES BY SEGMENTS in k€

	2009	2008	Change	Change in %
A-Series	9,355	8,994	361	4.0
C-Series	388	402	–14	–3.5
Power Manager	136	1,122	–986	–87.9
Joint Development Agreements	996	3,510	–2,514	–71.6
Other	812	526	286	54.4
Total	**11,687**	**14,554**	**–2,867**	**–19.7**

In the A-Series segment, sales during the 2009 financial year were up 4.0 % to € 9,355k (2008: € 8,994k). The total increase in sales in the Industry and Mobility segments was € 1,355k (104.2 %). Sales of systems developed specifically for the defence segment (FC 250, EMILY) reached € 363k for the first time. The difficult market environment in the Leisure segment led to a decrease of € 1,100k (14.1 %).

Sales in the C-Series segment declined 3.5 % from € 402k during financial year 2008 to € 388k in financial year 2009, and the number of systems delivered rose from 26 to 31.

No orders for series production of Power Manager were placed in financial year 2009. Consequently, sales of this product declined 87.9 % to € 136k (€ 1,122k), and the number of Power Managers shipped fell from 531 to 23.

Sales from the JDA segment decreased 71.6 % to € 996k (€ 3,510k) during financial year 2009. Most of the decrease came from delays in awards of follow-up contracts with the U.S. Armed Forces and lower sales to the Bundeswehr.

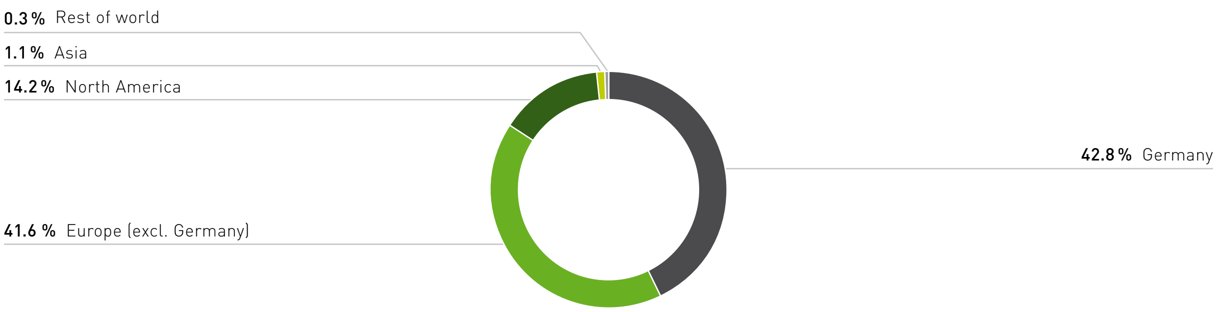
Revenue from Other rose 54.4 % during financial year 2009, to € 812k (€ 526k). This item includes sales of fuel cartridges and of test equipment to strategic partners. This also includes consulting services totalling € 148k for the first time, which are primarily responsible for the increase in sales.

UNIT SALES OF THE SFC A-SERIES

	2009	2008	Change	Change in %
Leisure	3,268	4,210	–942	–22.4
Industry	550	499	51	10.2
Mobility	394	34	360	1058.8
Defence	29	52	–23	–44.2
Total	**4,241**	**4,795**	**–554**	**–11.6**

Compared with the previous year, sales of A-series fuel cell systems fell from 4,795 to 4,241 units, down 11.6 %. It was not possible for the significant growth in the Mobility segment (360 units) and Industry segment (51 units) to offset the decrease by 942 EFOY fuel cells in the Leisure segment. Thanks to an advantageous price trend, shifts in the model mix, and first-time shipments of EMILY and FC 250 in the Defence sector, sales nonetheless rose, as shown above.

SALES BY REGION in %



With the exception of Germany and Asia, SFC experienced declines in sales in all regions during financial year 2009. SFC made 42.8 % of its sales in Germany in 2009, following 31.9 % during the previous year. The percentage of sales in other countries therefore fell to 57.2 % (68.1 %).

SALES IN GERMANY in k€

	2009	2008	Change	Change in %
A-Series	4,439	2,741	1,698	61.9
Joint Development Agreements	236	1,759	–1,523	–86.6
C-Series	38	0	38	n. a.
Other	289	147	142	96.6
Total	**5,002**	**4,647**	**355**	**7.6**

Sales in Germany during financial year 2009 were up 7.6 % from the previous year to € 5,002k (€ 4,647k). The decline in sales to the Bundeswehr under JDAs by € 1,523k was in sharp contrast to the € 1,698k rise in revenue from A-Series fuel cell systems. This increase clearly reflects the success in the Mobility segment during fiscal year 2009. Revenue from other products almost doubled, rising from € 147k to € 289k, due primarily to increased sales of fuel cartridges.

SALES IN EUROPE (EXCL. GERMANY) in k€

	2009	2008	Change	Change in %
A-Series	4,347	5,908	–1,561	–26.4
C-Series	146	288	–142	–49.3
Power Manager	52	23	29	126.1
Other	320	310	10	3.2
Total	**4,865**	**6,529**	**–1,664**	**–25.5**

The 25.5 % decrease in revenue in Europe to € 4,865k (€ 6,529k) is due in particular to the lower sales figures for A-Series fuel cell systems as a result of the difficult market environment in the Leisure segment.

SALES IN NORTH AMERICA in k€

	2009	2008	Change	Change in %
Joint Development Agreements	760	1,751	–991	–56.6
A-Series	447	246	201	81.7
C-Series	192	98	94	95.9
Power Manager	76	1,099	–1,023	–93.1
Other	189	56	133	237.5
Total	**1,664**	**3,250**	**–1,586**	**–48.8**

The 48.8 % decline in revenue in North America to € 1,664k (€ 3,250k) primarily results from the lower volume in sales to the U.S. Armed Forces (particularly Power Manager and JDAs). Under the A-Series fuel cell systems, the first-time sale of the FC 250 fuel cells developed specifically for the defence market was responsible for the 81.7 % increase in revenue. The aforementioned consulting services also accounted for € 148k in North America.

SALES IN ASIA in k€

	2009	2008	Change	Change in %
A-Series	111	55	56	101.8
Other	11	8	3	37.5
Total	**122**	**63**	**59**	**93.7**

The 93.7 % increase in sales in Asia from € 63k to € 122k in 2009 primarily reflects the launch of A-Series fuel cell systems on the market in Japan.

SALES REST OF WORLD in k€

	2009	2008	Change	Change in %
C-Series	12	16	–4	–25,0
A-Series	11	44	–33	–75,0
Power Manager	8	0	8	n. a.
Other	3	5	–2	–40,0
Total	**34**	**65**	**–31**	**–47,7**

As in Asia, SFC is not doing any active marketing in the rest of the world at present.

Gross margin: Gross margin for financial year 2009 increased especially because of systematic further cost reductions and the aforementioned effect on revenue due to the 18.8% increase in sales of A-series fuel cell systems to €3,194k (€2,689k). The gross margin for the A-series rose by €969k in spite of shipping fewer units. There was also a €333k improvement in revenue from other products and services due to cost reductions for fuel cartridges, and to consulting services. Consequently, in spite of a decline in sales volume, the gross margin rose to 27.3% (18.5%) in 2009. The gross margin of the A-series rose from 17.1% to 26.8%.

Sales costs: Sales costs rose 3.4% in financial year 2009, to €4,445k (€4,297k), primarily due to higher personnel costs in the Industry and Defence segments. Savings of €288k were achieved under the cost cutting program, primarily in the areas of advertising and travel expenses.

Research and development costs: Research and development costs increased 93.8% in 2009, from €778k to €1,508k. Development costs in the amount of €980k (€958k) and proprietary patents in the amount of €59k (€49K) were capitalized in this period. Development costs incurred under JDAs are recognized under production costs of work performed to generate sales, and grants under publicly subsidized development projects are offset against development costs. Allowing for these two effects and the capitalized development costs and patents, total research and development costs for financial year 2009 came to €4,493k, a 12.0% decrease from the previous year (€5,108k).

General administration costs: General administration costs decreased 1.7% in 2009 to €2,129k (€2,165k). That decrease is primarily due to lower expenses for employee recruitment and higher offsetting of grants. In contrast, personnel expenses rose by €102k.

Other operating income: Other operating income decreased 23.5% from the previous year's €545k to €417k in 2009. Income of €306k from the measurement of open platinum forward deals, due particularly to the considerable increase in the price of platinum, was included in financial year 2009. The special effect of the prize money from the "Wearable Power Prize Challenge" (€431k) was no longer included.

Other operating expenses: Other operating expenses decreased 92.7%, from €495k to €36k, due primarily to the measurement of open platinum forward deals (drop in the price of platinum during the second half of last year).

Operating result (EBIT): The Group's EBIT, at minus €4,507k, remained nearly at the previous year's level (minus €4,501k). Due to the decline in revenue, the adjusted EBIT margin fell to minus 38.6% (minus 30.9%).

Interest and similar income: Interest and similar income decreased 66.0%, from €2,186k to €744k, due primarily to the lower interest rate.

Net loss: The net loss increased 60.7 % during financial year 2009, to € 3,785k following € 2,355k during the previous year.

Net loss per share: The net loss per share under IFRS (diluted) increased from minus € 0.33 to minus € 0.53.

Assets and liabilities

The Group still has a healthy balance sheet. The equity ratio has increased.

Total assets had decreased 8.0 % at December 31, 2009, against December 31, 2008, to € 50,442k (€ 54,839k).

The lower sales volume during financial year 2009 particularly influenced inventories and trade accounts receivable and payable.

Inventories increased 15.4 % to € 1,328k (€ 1,151k).

Trade accounts receivable decreased 7.3 % to € 2,200k (€ 2,372k), and trade accounts payable fell 4.5 % to € 1,957k (€ 2,050k).

The 70.5 % decrease in income tax receivables (withholding tax on capital and solidarity surcharge on interest earnings) from € 719k to € 212k corresponds to the decline in interest income.

Intangible assets increased primarily because of capitalized development costs, from € 1,825k as of December 31, 2008, to € 2,411k as of December 31, 2009.

The increase in property, plant and equipment from € 1,147k to € 1,681k is primarily attributable to the capital expenditures that are listed below.

The ratio of long-term assets to total assets rose from 7.0 % to 9.6 %.

The decrease in other liabilities from € 1,332k to € 897k was caused primarily by measurement of the open platinum forward deals as of last year's reporting date. The result was a liability of € 511k.

The net loss reduced shareholders' equity as of December 31, 2009, to € 45,860k against December 31, 2008 (€ 49,635k). However, our equity ratio improved from 90.5 % to 90.9 % due to the reduction in total assets.

Financial position

SFC's financial management includes the areas of liquidity management, management of foreign exchange and commodities risks, and credit and default risks.

The net cash outflow during financial year 2009 totalled € 5,023k, while there was an outflow of € 7,378k during the prior year period.

Freely available cash and cash equivalents came to € 40,544k as of the end of December 2009 (end of December 2008: € 45,568k), so SFC continues to have comfortable liquidity reserves.

Cash flow from ordinary operations: The net cash used in ordinary operations decreased to € 3,677k (€ 5,220k) during financial year 2009. The greatest effect was on other liabilities, where the cash outflow fell to € 334k from € 1,430k during the previous year.

Cash flow from investment activity: Most of the net cash totalling € 1,227k which was used in investment activity during financial year 2009 involved capitalized development costs of € 980k (€ 958k) and property, plant and equipment of € 975k (€ 810k). Cash in the amount of € 381k was generated during the previous year, primarily through received interest.

Cash flow from financial activity: The decrease in net cash used in financial activity in 2009 to € 120k (€ 2,539k) is primarily due to inclusion during the previous year of redemption of the silent partnership, including final remuneration and current minimum remuneration of € 2,251k for tbg Technologie-Beteiligungs-Gesellschaft mbH.

Research and development

The Group continues to make considerable investments in research and development. A total of € 4,493k was spent on R&D in financial year 2009 (previous year: € 5,108k), including costs related to joint development projects. The Company had 29 employees as of the reporting date (previous year: 31), and about one-third of personnel is working on development of direct methanol fuel cell technology and the Group's products. The Group pursues an active patent strategy to defend barriers to entry into the market and to safeguard our own marketing options. SFC currently holds a portfolio of more than 30 different patent applications or granted patents.

The focus of our research and development activities in financial year 2009 is still as follows:

- Reduce unit costs through technological innovations in order to maximize the contribution margins of our products. A systematic development toward higher power densities, with reduced amounts of expensive raw materials, was particularly continued in the fuel cell stack – the technical core of fuel cell systems, which accounts for a very large percentage of the cost

- Significantly improve and enhance product functionality; develop new products (e.g., higher performance, new market-specific features, significantly greater robustness and reliability under strenuous ambient conditions), in order to develop new areas of application in addition to the markets already addressed

- Miniaturize the products in order to successfully tap markets, such as the defence industry, with demanding specifications for portable energy sources

R&D expenses are planned to remain high in order to build on the Group's strong position in technology and marketing. Our R&D activities received significant assistance from government funding during the period and are likely to continue doing so in the future, for example through the National Organization for Hydrogen and Fuel Cell Technology (NOW).

Capital expenditures

In financial year 2009, € 980k (€ 958k) was capitalized for further development of fuel cell systems. Among other items, we invested in another stack test bench to improve productivity and additional injection moulding tools to facilitate further cost savings in fuel cell systems. We also made advance payments on an automatic filling system for fuel cartridges and on installations for the new construction of a production, development, and administration building that SFC is projected to acquire in April 2010.

Total capital expenditures in 2009 came to € 2,351k (€ 1,870k). Of that amount, € 304k (€ 0) was financed by government grants and deducted from acquisition costs. Other capital expenditures were financed by our own resources.

New orders and order backlog

The trend for new orders during financial year 2009 was gratifying in light of the difficult market environment. It is primarily attributable to the increase in new orders for A-Series fuel cell systems to € 10,441k from € 8,214k during the previous year. In contrast, new orders under JDAs in the Defence segment declined from € 2,201k to € 1,630k.

New orders rose 17.5 %, from € 11,394k in 2008 to € 13,384k during financial year 2009. Consequently, the order backlog at the end of 2009 was € 3,412k, up 98.8 % from the year before (€ 1,716k).

The Mobility segment passed a major milestone in 2009. Volkswagen AG and Daimler AG ordered almost 400 fuel cell systems and accessories from SFC in 2009 for a total volume of around € 1 million. Volkswagen and Daimler are using the systems for on-board power supplies in special purpose vehicles.

In early July 2009, SFC and DuPont jointly received an order from the U.S. Army for further development of the miniaturized systems of the C series, with a volume of around USD 2.0 million for SFC. Approximately USD 0.5 million was reflected in sales for 2009.

Employees at year end

The number of permanent employees was as follows on December 31, 2009:

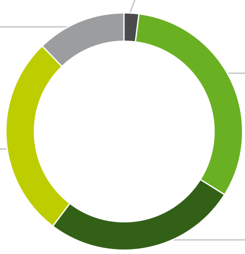
EMPLOYEES

	Dec. 31, 09	Dec. 31, 08	Change
Board members	2	2	0
Research and development	29	31	–2
Production, logistics, quality management	24	29	–5
Sales and marketing	25	26	–1
Administration	11	10	1
Permanent employees	**91**	**98**	**–7**

SFC employed a total of 7 (10) trainees, graduates, and student trainees as of December 31, 2009.

In response to the difficult economic environment, SFC reduced working hours in certain segments during the second quarter of 2009 and entered into severance agreements with some employees. Consequently, the number of permanent employees at the end of 2009 had declined 7.1 % to 91 (98).

EMPLOYEES PER DIVISION IN 2009



Summary

In summary, it can be concluded that at the reporting date the Group had a solid net asset and financial picture. However, if the earnings situation remains negative, the overall picture could undergo adverse changes over the long term.

4. REMUNERATION REPORT

Structure of remuneration for members of the Management Board

The remuneration of members of our Management Board complies with the statutory requirements of the German Stock Corporation Act.

Contracts for members of the Management Board are prepared by the Personnel Committee under the guidance of the chairman of the Supervisory Board. The Personnel Committee reviews remuneration under the contract every twelve months and adjusts it if necessary.

Members of the Management Board receive fixed annual compensation as well as variable compensation (performance-related bonus) if specific targets are reached.

There are also agreements to make bonus payments to the members of the Management Board within the framework of a long-term incentive programme for the period January 1, 2009, to December 31, 2013, under certain circumstances and if certain performance targets are reached. This programme is based on a phantom-stock model and is divided into three individual three-year performance periods that include financial years 2009 to 2011, 2010 to 2012, and 2011 to 2013. The remuneration at the end of each three-year period is paid in the form of cash and substantially depends on the price of the SFC share and achievement of a defined EVA (economic value added) for that period.

We also provide a company car to both members of the Management Board. The Group pays the premiums for accident, pension, and life insurance for the members of the Management Board every year up to a maximum of € 10,000 each and has also obtained directors and officers liability insurance without a deductible for both of them.

Structure of remuneration for members of the Supervisory Board

The remuneration of members of the Supervisory Board comprises a fixed and a variable portion in accordance with the recommendations of the German Corporate Governance Code. The amount of the remuneration was most recently adjusted during the shareholders' meeting on April 2, 2007.

Accordingly, members of the Supervisory Board are entitled to reimbursement of cash expenditures in connection with performance of their duties on the Supervisory Board and to inclusion in the D&O liability insurance that the Group obtains for its executive bodies. They also receive fixed compensation of € 20,000 per individual member which is payable after the financial year ends. The chairman of the Supervisory Board receives 200 % and his deputy receives 150 % of the amount of that remuneration. Each member of the Supervisory Board also receives additional annual compensation of € 5,000 for each committee of the Supervisory Board that he chairs and € 2,500 for each committee of the Supervisory Board on which he serves as a member. Each member also receives variable compensation of € 100.00 for each € 0.01 of dividends per share that are distributed in excess of € 1.00 in dividends per share.

Information that is to be included in the Notes to the financial statements in accordance with § 314 sentence 1 No. 6a of the German Commercial Code (HGB) can be found in the Notes to the Consolidated Financial Statements.

Other related parties

Please see the section entitled "Related-party transactions" in the Notes.

5. INFORMATION ACCORDING TO § 315(4) HGB

The share capital of SFC Smart Fuel Cell AG totals € 7,152,887.00 and is divided into 7,152,887 ordinary bearer shares with no par value representing a notional amount of our share capital of € 1.00 per share. The share capital is completely paid-up. Each share confers one vote.

The Management Board knows of no restrictions or agreements between shareholders relating to voting rights or the transfer of shares.

The parties that directly and indirectly own capital exceeding 10 % of the voting rights are listed in the table below[6]:

SHAREHOLDER	in %
Dr. Manfred Stefener	16.27
PRICAP Venture Partners AG	14.65
Conduit Ventures Limited	10.64

The employees who own shares have no special rights that entitle them to any powers of control.

The appointment and dismissal of members of the Management Board of SFC Smart Fuel Cell AG proceed from § 84 and § 85 of the German Stock Corporation Act (AktG) and § 7(2) of the Articles of Association.

Pursuant to § 179 of the German Stock Corporation Act in conjunction with § 20 of the Articles of Association, changes to the Articles of Association are subject to a resolution of the shareholders' meeting approved by a three-quarter majority.

The Management Board, with the approval of the Supervisory Board, is authorized to increase the share capital of the Company by as much as € 3,568,121.00 one or several times on or before May 7, 2012, by issuing new ordinary bearer shares with no par value in return for cash or non-cash consideration (authorized capital 2008). All shareholders are to be granted a subscription right. The subscription right of the shareholders may be excluded with the approval of the Supervisory Board subject to certain conditions. Pursuant to § 5(5) of the Articles of Association, the terms of the capital increase are specified by the Management Board with the approval of the Supervisory Board.

The Company has a conditional capital II in the amount of € 127,716.00 for conducting share option programmes. As of December 31, 2009, there were no longer any share options to be exercised; the share option programme is terminated.

6 These are the most recently reported holdings pursuant to the German Securities Trading Act (WpHG), which may differ from those as of December 31, 2009.

The shareholders' meeting on May 12, 2009, authorized the Company to repurchase its own shares on or before November 11, 2010, up to a limit of ten percent of the Company's share capital as of May 12, 2009. This authorization had not been utilized by the balance sheet date.

There are currently no agreements at SFC Smart Fuel Cell AG that are contingent on a change of control following a takeover offer.

There are no agreements with members of the Management Board or with employees concerning compensation in the event of takeover offers.

6. REPORT ON RISKS AND REWARDS

As part of a systematic and organizational approach to risk, the Management Board has implemented a comprehensive risk management system that defines and systematically uses and continues to develop suitable instruments to identify, analyze, and evaluate risks and take appropriate action.

Operational management is directly responsible for early detection, analysis, control, and communication of risks. Within the framework of discussions on targets between the Management Board and the responsible people in the business units and as a result of regular reporting, the business units provide information on changes in the risk situations of the individual business units. The trend for the defined risk field is shown in a balanced score card every quarter.

The risk management system used at SFC also includes an early warning system that is based on a system of key figures. The key figures allow an objective overview of the Group's financial situation, a comparison between the budget and actual costs, a detailed preview of anticipated new orders and sales for each business unit (sales pipeline), unit-specific cost controlling, cost controlling for development and marketing projects, a uniform project management tool for the entire Group, and other process-related indicators.

The Management Board regularly uses these instruments to determine in real time whether estimates and background conditions have changed and whether any remedial measures must be taken.

The Supervisory Board receives a similarly detailed financial report every month and is also informed in the short term about current developments when necessary. The Supervisory Board is thus also involved in risk management as a result of reports by the Management Board on transactions that could be of particular importance for profitability or liquidity.

The risks listed below result from SFC's business activity.

Market risks

Economic developments: Due to the financial market crisis, the world economy is currently in a crisis of which full repercussions cannot be foreseen. Current projections by governments and economic research institutes do contain indications that the Group's most important markets have bottomed out, but there are currently no reliable signs of an impending economic upswing, so reluctance to spend and uncertainty continue to make planning and forecasts difficult.

Leisure market: This reluctance to spend is having a particularly strong impact on the markets for leisure vehicles in Europe, which are currently experiencing substantial declines – in double digits, in some cases. At present, market experts do not yet see a turnaround. This development will also affect the accessories business, further increasing the risk that sales revenues from EFOY fuel cells will perform below plans throughout Europe this season.

Industrial market: The industrial market is showing the first impacts of the financial crisis on the real economy. Lower investing activity is evident, entailing the risk of slower growth and a slower development of the market.

Mobility market: The reluctance to spend which is described above is also affecting the Mobility segment; in addition, risks could result in the medium term from increased efforts to save money by reducing public spending.

Defence market: In the United States in particular, a slowdown in budget approvals and in the award of contracts from the military sector was evident in the segments of relevance for SFC. From today's vantage point, zit must be assumed that the contracts that SFC expects to be awarded could continue to be postponed as a consequence of this development, even when initial requests for proposals or announcements of future requests for proposals have already been publicized. There is also a risk from possible spending cuts in the defence segment due to sharp increases in state indebtedness in many regions.

Technological risks

The products manufactured by SFC must meet high quality standards if they are to be successful on the market. In addition to further development of the Group's own technology for new applications, SFC gives great attention to quality assurance while simultaneously reducing production costs. SFC is working on this as part of intensive cooperative ventures with its major suppliers. At the same time, the Group is working to further reduce the production costs of its products through technological advancements and higher unit numbers. We generated considerable additional cost savings during the reporting period with key components like stacks, pumps, and fuel cartridges without sacrificing quality. The resulting know-how represents a major competitive edge for SFC. Overall, as for all highly innovative companies, we are exposed to risks from new product and technology features.

Patent risks

As the intellectual property situation becomes more complicated and products become more complex, there is still a certain risk of possible patent infringement by SFC. On the other hand, as a result of its unique position as a supplier of commercial direct methanol fuel cell systems, SFC has obtained intellectual property rights or filed applications for them (20 patents or decisions to grant received so far), which put us in a strong position in relation to our competitors. SFC works continuously with experienced patent attorneys to achieve sound legal protection in other countries as well, in regard to potentially relevant patents granted there.

Competition

SFC currently occupies a unique position thanks to its technological leadership in the field of DMFC systems and its lead in the area of marketing. That lead is safeguarded among other things by intellectual property rights, swift action, and focusing on a single technological concept. Some competitors – particularly in the U.S. defence segment – have at least comparable access to the market, which primarily results in the risk of losing our leadership position. Ongoing monitoring of the competition in this connection noted the first deliveries of prototypes by competitors in the defence business in the United States. The first competing products are now appearing on the market in our leisure and remote power supply target markets. Consequently, there are risks from announcement effects and actual substitutes that could provoke uncertainty among market participants and lead to a loss of sales for SFC.

Purchasing and production-related risks

SFC purchases components and equipment it needs to manufacture its fuel cell systems from various manufacturers and does not produce them itself. The supplier industry for SFC components is, however, only partially prepared for the specific requirements of the developing mass market for fuel cells. To avoid overdependence on certain suppliers, the Group is working to diversify its suppliers and is entering into intensive cooperative projects to that end. The associated risks are being reduced through professional quality and supplier management. Nevertheless, insufficient availability of all components procured from suppliers poses a risk in the event that these components cannot be made available on time, at the planned cost, or in the required quality.

Foreign exchange and commodities risks

Particularly due to the volume of its business with the U.S. Armed Forces, SFC generates a portion of its sales in U.S. dollars, while expenses and expenditures are also lower in U.S. dollars. Therefore, forward exchange deals on the sale of a total of USD 0.75 million were executed for 2009. Of this volume, USD 0.11 million was swapped and will be sold in 2010. Because of delays in the awarding of contracts under JDAs with the U.S. Armed Forces, no further forward exchange deals were entered into as of the reporting date. In that respect the foreign exchange risk relates only to the portion of sales that were not hedged.

Due to the market estimate that precious metals prices would continue to rise, most of the platinum consumption currently expected for financial year 2010 was hedged in the first quarter of 2009. The price of platinum rose by around 60 % in 2009. Consequently, there is a price risk only for the portion of our platinum requirements that were not hedged.

As a matter of principle, as in the past, volatile price trends for the dollar or for platinum could result in book losses due to the remeasurement of open forward deals.

Generally speaking, the rising costs of raw materials and energy continue to pose risks that could have adverse effects on product margins.

Financial and liquidity risks

Sales and contribution margins were not sufficient to make the Group profitable during the reporting period. SFC's strategic orientation requires continued massive efforts to expand which must be financed to ensure future business success, particularly in the areas of product development, production, tapping additional market segments, building up the sales and distribution infrastructure, and the general growth of our organization. The funds received by the Group from the public offering in May 2007 were raised for that expansion effort. Cash is being deposited with various banks in low-risk investments (such as money market funds and time deposits) until it is used within the framework of our growth strategy.

Consequently, the current liquidity risk from fluctuating payment flows is rated as very low. Nevertheless, there is a risk in the event that a major customer or a bank can no longer meet its payment obligations to SFC.

The Group's default rate stayed within reasonable limits in 2009 (0.1 % of sales) due to our customer structure (high percentage of military customers, industrial customers, and wholesalers, low percentage of private end customers). There is a certain risk from the fact that our ten largest customers – including two military customers and six German and foreign wholesalers in the leisure segment – accounted for 53 % of sales in 2009. We are counteracting this risk by generating new customers and expanding our sales from existing customers.

Interest rate risks

Interest rate risk results primarily from the investment of cash. As part of the capital increase in 2007, shares were also placed in the United States. In that context, SFC also had to assume the contractual obligation to comply with certain tax laws in the United States. Consequently, no investments may exceed a three-month term at present. In that respect, the net interest income or loss of SFC is materially influenced by short-term interest rates on the capital markets.

Personnel risks

The economic slowdown tends to ease the labour market and ensure higher availability of well qualified employees. SFC remains dependent on committed, highly qualified, and to a certain extent specialized employees. Given our growth plans, there is a risk that an inability to recruit key personnel could become a bottleneck for the Group's planned growth. SFC is attempting to stay competitive on the labour market by increasing use of performance-related salary components, flat hierarchies, and early assignment of responsibilities. SFC was attractive as an employer in 2009 and was able to recruit new employees with good qualifications, thereby fulfilling additional prerequisites for achieving our growth targets.

Information technology risks

Important IT features like failsafe protection, redundancy, restoration of availability after failures, backup and archiving functions continue to be expanded significantly. The Group is currently working to refine its communication and IT requirements for real-time integration of outside employees working in the sales force and employees who are travelling and is preparing for connection of the U.S. location.

Regulatory risks

The business segment in which the Group operates is still highly regulated. That is because it produces, distributes, and markets complex technical products and cartridges filled with methanol, distributes them in markets with demanding safety requirements (such as automakers or military organizations), and is subject to highly complex, sometimes non-uniform regulatory background conditions in various markets and countries. In some cases, the authorities have objected to product labelling and distribution channels. SFC is working to obtain a legal clarification. It cannot be excluded that the applicable requirements may become stricter (for example, due to stricter legislation given the need to protect against terrorism, new laws under REACH or GHS, or the increased visibility of SFC products as they become more popular) and that additional requirements could be imposed on distribution of the Group's products.

Based on the information known to us today, there are no risks that could threaten the continued existence of the Group in the short term.

Opportunities for future development

Although the overall economic environment is difficult at the moment, the most important factors that will determine SFC's future development are measures to increase sales (increased volume in existing markets, regional expansion, developing new applications like mobility and off-grid cabins, and expanding the series business in the defence segment) and reduce costs based on technological innovation. SFC has the chance to build on its current lead thanks to its mature technology and its marketing and to set widely-recognized standards for remote power supplies in the low- and medium-power range.

Additional opportunities could result from external factors: Lower commodities prices and advantageous foreign exchange trends could have positive effects on our profitability.

7. GROUP ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM

SFC has an internal control and risk management system for the (group) accounting process. This system defines appropriate structures and processes and implements them in the organization. This is designed to ensure timely, uniform and accurate bookkeeping of all business process and transactions. It also ensures compliance with laws and accounting rules

Changes to the laws, accounting standards and other official bulletings are analyzed on an ongoing basis with regard to relevance and effects on the consolidated financial statements, and the resulting changes are made to our internal systems and processes.

Our internal control system is based not only on defined control mechanisms, such as system technical and manual coordination processes, but also on separation of duties and compliance with work instructions.

The bookkeeping for the U.S. subsidiary is performed by the parent company, which ensures that accounting standards are applied uniformly throughout the group.

Consolidation and certain coordination work is performed by the Accounting Department at the parent company on the basis of information received from the consolidated companies. Because of the size of the group, there is no separate group accounting department. System technical controls are monitored by the employees in the Accounting Department and supplemented with manual tests. As a rule at least two people review everything at every level. Certain release processes must be complied with throughout the entire accounting process.

The Management Board is responsible for implementing and monitoring the internal control system. This includes the (group) accounting-related internal control system. Given the size of the group, there is no internal audit function within the group.

The Management Board of SFC Smart Fuel Cell AG has reviewed the accounting-based internal control system and belives that it was fully functional in financial year 2009. The effectiveness of the internal control system is monitored by the Audit Committee of the Supervisory Board of SFC Smart Fuel Cell AG in accordance with the requirements of the Accounting Rule Modernization Act (Bilanzrechtsmodernisierungsgesetz), which went into force in May 2009. It is important to note that an internal control system does not provide absolute certainly that material misstatements in the financial statements are avoided or discovered, regardless of how it is designed.

8. DECLARATION ON CORPORATE GOVERNANCE

On March 22, 2010, the Management Board issued the Declaration on Corporate Governance pursuant to § 289a of the German Commercial Code. This declaration is available on the Internet at www.investor-sfc.de/en/corporate_governance.php.

9. REPORT ON FORECASTS AND OTHER FUTURE-ORIENTED STATEMENTS

The Management Board firmly believes that SFC will remain capable of defending its leading position in the promising market for independent power supply using fuel cells based on methanol. The technology base is considered as strong as ever, and was reconfirmed by such achievements as winning the Wearable Power Prize from the U.S. Department of Defense in autumn 2008. In the area of marketing, too, the Management Board considers that the Group is well ahead of its competitors, given the 16,000 fuel cell generators that have been shipped and the total of several million hours of operation accumulated.

The Group anticipates sales in the Leisure segment in financial year 2010 to remain at their 2009 level, given the continued challenging market environment. In contrast, the Group anticipates noticeable growth in sales in all of its civilian markets. An important strategic goal remains to make SFC less vulnerable to seasonable and economic fluctuations in the leisure market and the continued unpredictability of the defence market by drawing on a more diversified base. It is difficult at this time to assess the trend in the Defence segment, but decisions about important projects are pending, and awards in favour of SFC are still to be anticipated during the first half of the year. The aim of continuous improvements to product margins, in conjunction with sales growth, is to improve operating profit (EBIT) in 2010, even with the anticipated special effects (expansion of the U.S. organization and the move to the new Company location). However, because of the continuing uncertain state of the economy, we believe that our sales forecasts are still subject to considerable uncertainty.

10. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

Brunnthal, March 22, 2010

Dr. Peter Podesser
CEO

Dr. Jens Müller
COO

CONSOLIDATED FINANCIAL STATEMENTS

The following Consolidated Financial Statements have been prepared in the German language. They have been translated for this annual report into English. In the event of questions of interpretation, the German version shall be authoritative.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2009

in €

		see Notes	1/1–12/31/2009	1/1–12/31/2008
1.	Sales	(1)	11,687,382	14,553,797
2.	Production costs of work performed to generate sales	(2)	–8,493,278	–11,864,594
3.	**Gross margin**		**3,194,104**	**2,689,203**
4.	Sales costs	(3)	–4,445,176	–4,296,871
5.	Research and development costs	(4)	–1,507,728	–777,743
6.	General administration costs	(5)	–2,129,109	–2,165,240
7.	Other operating income	(6)	416,867	544,741
8.	Other operating expenses	(7)	–35,747	–495,096
9.	**Operating loss**		**–4,506,789**	**–4,501,006**
10.	Interest and similar income	(8)	743,630	2,185,565
11.	Interest and similar expenses	(9)	–21,621	–40,021
12.	**Loss from ordinary operations**		**–3,784,780**	**–2,355,462**
13.	Income taxes	(10)	0	0
14.	**Net loss**		**–3,784,780**	**–2,355,462**
15.	Accumulated loss brought forward from previous year		–24,399,447	–22,043,985
16.	**Net accumulated loss**		**–28,184,227**	**–24,399,447**
	NET LOSS PER SHARE			
	undiluted		–0,53	–0,33
	diluted		–0,53	–0,33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR FROM JANUARY 1, 2009 TO DECEMBER 31, 2009

in €

	2009	2008
Net loss	**–3,784,780**	**–2,355,462**
Result from currency translations	10,448	1,752
Total results recognized directly in equity	**10,448**	**1,752**
Total result	**–3,774,332**	**–2,353,710**

All amounts are attributable in full to equity holders of the parent company.

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2009

	ASSETS			in €
		see Notes	12/31/2009	12/31/2008
A.	**Current assets**		**45,596,399**	**50,997,198**
I.	Inventories	(14)	1,327,600	1,151,000
II.	Trade accounts receivable	(15)	2,200,369	2,371,846
III.	Receivables from Percentage-of-Completion	(16)	6,930	151,148
IV.	Income tax receivables	(17)	212,176	718,733
V.	Other short-term assets and receivables	(18)	1,225,070	943,472
VI.	Cash and cash equivalents	(19)	40,543,600	45,567,521
VII.	Cash and cash equivalents with limitation on disposal	(20)	45,320	45,320
VIII.	Deferred charges and prepaid expenses	(21)	35,334	48,158
B.	**Non-current assets**		**4,846,064**	**3,842,296**
I.	Intangible assets	(22)	2,410,796	1,824,941
II.	Property, plant and equipment	(23)	1,681,233	1,146,996
III.	Other long-term assets and receivables	(18)	63,285	204,045
IV.	Deferred tax assets	(10)	690,750	666,314
	Assets		**50,442,463**	**54,839,494**

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2009

	LIABILITIES AND SHAREHOLDERS' EQUITY			in €
		see Notes	12/31/2009	12/31/2008
A.	**Current liabilities**		**3,444,426**	**4,294,769**
I.	Other provisions	(24)	571,606	526,915
II.	Liabilities from prepayments	(25)	18,321	233,879
III.	Trade accounts payable	(26)	1,957,452	2,050,326
IV.	Liabilities from finance leases	(27)	0	118,182
V.	Other short-term liabilities	(28)	897,047	1,332,375
VI.	Deferred charges	(29)	0	33,092
B.	**Non-current liabilities**		**1,137,539**	**909,895**
I.	Other long-term provisions	(24)	264,241	243,581
II.	Other long-term liabilities	(28)	182,548	0
III.	Deferred tax liabilities	(10)	690,750	666,314
C.	**Equity**		**45,860,498**	**49,634,830**
I.	Subscribed capital	(30)	7,152,887	7,152,887
II.	Capital surplus	(30)	66,879,638	66,879,638
III.	Other changes in equity not effecting profit or loss	(30)	12,200	1,752
IV.	Accumulated loss brought forward from previous year	(30)	–24,399,447	–22,043,985
V.	Net loss	(30)	–3,784,780	–2,355,462
	Liabilities and shareholders' equity		**50,442,463**	**54,839,494**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR FROM JANUARY 1, 2009 TO DECEMBER 31, 2009

in €

		see Notes	1/1–12/31/2009	1/1–12/31/2008
	Cashflow from ordinary operations			
	Result before taxes		**–3,784,780**	**–2,355,462**
–	Net interest income	(8), (9)	–722,009	–2,145,544
+	Depreciation/amortization of intangible assets and property, plant and equipment	(12), (22), (23)	927,212	806,592
+	Expenses from Long Term Incentive Plan/share option programs	(34)	182,548	72,003
+/–	Changes in allowances	(14), (15)	1,962	–8,510
–	Gain from disposal of property, plant and equipment	(22), (23)	–251	0
–/+	Profits/losses from derivatives	(33)	–306,067	408,166
	Changes to operating result before working capital		**–3,701,385**	**–3,222,755**
+	Changes to short and long-term provisions	(24)	45,475	94,896
+/–	Changes to trade accounts receivable	(15)	180,744	–374,856
–/+	Changes to inventories	(14)	–187,829	141,407
–	Changes to other assets	(16), (17), (18)	–73,513	–885,530
+	Changes to prepaid expenses	(21)	12,824	3,376
–/+	Changes to trade accounts payable	(26)	–92,874	788,520
–	Changes to other liabilities	(25), (27), (28)	–333,706	–1,430,428
–	Changes to deferred income	(29)	–33,092	–79,420
	Cashflow from ordinary operations before taxes		**–4,183,356**	**–4,964,790**
+/–	Income tax refunds/payments	(10)	506,557	–255,504
	Cashflow from ordinary operations		**–3,676,799**	**–5,220,294**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR FROM JANUARY 1, 2009 TO DECEMBER 31, 2009

in €

		see Notes	1/1–12/31/2009	1/1–12/31/2008
	Cashflow from investment activity			
–	Investments in intangible assets from development projects	[22]	–979,700	–957,800
–	Investments in other intangible assets	[22]	–93,074	–102,804
–	Investments in property, plant and equipment	[23]	–974,531	–809,622
+	Bank balances released	[20]	750,000	0
+	Interest and similar income	[8]	820,524	2,251,400
–	Bank balances pledged	[20]	–750,000	0
+	Proceeds from disposal of property, plant and equipment	[23]	252	0
	Cashflow from investment activity		**–1,226,529**	**381,174**
	Cashflow from financial activity			
+	Shareholder contributions	[30]	0	4,161
–	Repayment of financial liabilities	[33]	0	–2,250,625
–	Repayment of liabilities from finance leases	[27]	–118,182	–266,627
–	Interest paid and other expenses	[9]	–1,745	–25,585
	Cashflow from financial activity		**–119,927**	**–2,538,676**
	Net change in cash and cash equivalents		**–5,023,255**	**–7,377,796**
	Currency effects on cash and cash equivalents		666	0
	Net change in cash and cash equivalents			
	Cash and cash equivalents at beginning of period	[19]	45,567,521	52,945,317
	Cash and cash equivalents at end of period	[19]	40,543,600	45,567,521
	Net change in cash and cash equivalents		**–5,023,255**	**–7,377,796**

Material Non-Cash Transactions

As in the previous year, there were no material non-cash transactions in financial year 2009.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR FROM JANUARY 1, 2009 TO DECEMBER 31, 2009

in €

	see Notes	Subscribed capital	Capital surplus	Other changes in equity not effecting profit or loss	Net accumulated loss	Total
Balance 01/01/2008		**7,136,243**	**66,820,118**	**0**	**–22,043,985**	**51,912,376**
Total result						
Net loss					–2,355,462	–2,355,462
Result from currency translation recognized in equity	(30)			1,752		1,752
Transaction with owners						
Allocation from option program	(30), (34)		72,003			72,003
Exercise of option rights	(30), (34)	16,644	–12,483			4,161
Balance 12/31/2008		**7,152,887**	**66,879,638**	**1,752**	**–24,399,447**	**49,634,830**
Total result						
Net loss					–3,784,780	–3,784,780
Result from currency translation recognized in equity	(30)			10,448		10,448
Balance 12/31/2009		**7,152,887**	**66,879,638**	**12,200**	**–28,184,227**	**45,860,498**

CONSOLIDATED SUMMARY OF FIXED ASSETS
FOR THE FINANCIAL YEAR FROM JANUARY 1, 2009 TO DECEMBER 31, 2009

in €

		Acquisition or production cost			
		1/1/2009	Additions	Disposals	12/31/2009
A.	**Intangible assets**				
	Software	327,646	33,928	0	361,574
	Patents and licences	59,533	0	0	59,533
	Intangible assets from own production	2,312,580	1,038,846	–117,522	3,233,904
	Intangible assets	**2,699,759**	**1,072,774**	**–117,522**	**3,655,011**
B.	**Property, plant and equipment**				
	Technical equipment, plant and machinery	513,320	152,824	-2,529	663,615
	Other equipment, fixtures and fittings	1,232,456	821,707	0	2,054,163
	Other equipment, fixtures and fittings from financial leasing	816,218	0	–816,218	0
	Property, plant and equipment	**2,561,994**	**974,531**	**–818,747**	**2,717,778**

FOR THE FINANCIAL YEAR FROM JANUARY 1, 2008 TO DECEMBER 31, 2008

in €

		Acquisition or production cost		
		1/1/2008	Additions	12/31/2008
A.	**Intangible assets**			
	Software	274,220	53,426	327,646
	Patents and licences	59,533	0	59,533
	Intangible assets from own production	1,305,402	1,007,178	2,312,580
	Intangible assets	**1,639,155**	**1,060,604**	**2,699,759**
B.	**Property, plant and equipment**			
	Technical equipment, plant and machinery	101,615	411,705	513,320
	Other equipment, fixtures and fittings	834,539	397,917	1,232,456
	Other equipment, fixtures and fittings from financial leasing	816,218	0	816,218
	Property, plant and equipment	**1,752,372**	**809,622**	**2,561,994**

in €

Accumulated depreciation or amortisation					Book value	
1/1/2009	Depr. or amort. financial year	Disposals	Write-down	12/31/2009	12/31/2009	12/31/2008
–142,717	–71,813	0	0	–214,530	147,044	184,929
–48,129	0	0	0	–48,129	11,404	11,404
–683,972	–386,934	117,522	–28,172	–981,556	2,252,348	1,628,608
–874,818	**–458,747**	**117,522**	**–28,172**	**–1,244,215**	**2,410,796**	**1,824,941**
–100,007	-83,668	2,528	0	–181,147	482,468	413,313
–574,107	–281,291	0	0	–855,398	1,198,765	658,349
–740,884	–75,334	816,218	0	0	0	75,334
–1,414,998	**–440,293**	**818,746**	**0**	**–1,036,545**	**1,681,233**	**1,146,996**

in €

Accumulated depreciation or amortisation			Book value	
1/1/2008	Depr. or amort. financial year	12/31/2008	12/31/2008	12/31/2007
–90,052	–52,665	–142,717	184,929	184,168
–48,129	0	–48,129	11,404	11,404
–422,892	–261,080	–683,972	1,628,608	882,510
–561,073	**–313,745**	**–874,818**	**1,824,941**	**1,078,082**
–46,912	–53,095	–100,007	413,313	54,703
–341,314	–232,793	–574,107	658,349	493,225
–533,925	–206,959	–740,884	75,334	282,293
–922,151	**–492,847**	**–1,414,998**	**1,146,996**	**830,220**

CONSOLIDATED SEGMENT REPORTING
FOR THE FINANCIAL YEAR FROM JANUARY 1, 2009 TO DECEMBER 31, 2009

in €

	A-Series		C- Series		JDA	
	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008
Assets	1,076,559	917,843	18,445	7,674	110,383	187,307
Inventories	1,043,737	991,096	106,223	8,800	0	0
Trade accounts receivable	1,682,570	1,936,444	38,857	63,441	405,282	340,122
Other segment assets	779,087	610,368	245,479	174,138	6,930	151,148
Cash and cash equivalents	0	0	0	0	0	0
Segment assets	**4,581,953**	**4,455,751**	**409,004**	**254,053**	**522,595**	**678,577**
	1/1/2009 – 12/31/2009	1/1/2008 – 12/31/2008	1/1/2009 – 12/31/2009	1/1/2008 – 12/31/2008	1/1/2009 – 12/31/2009	1/1/2008 – 12/31/2008
Sales	9,354,604	8,994,259	387,751	402,192	996,561	3,509,396
Production costs of work performed to generate sales	–6,847,485	–7,456,425	–172,337	–198,407	–613,465	–2,515,499
Gross margin	**2,507,119**	**1,537,834**	**215,414**	**203,785**	**383,096**	**993,897**
Operating costs not attributable to products						
Operating results						
Financial result						
Result from ordinary operations						
Income taxes						
Result after taxes						

in €

Power Manager (€)		Other products		Unallocated items		Consolidated financial statements(€)	
12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2009	12/31/2008	12/31/2008	12/31/2008
5,089	79,488	90,193	92,638	2,791,360	1,686,987	4,092,029	2,971,937
43,222	27,111	134,418	123,993	0	0	1,327,600	1,151,000
25,877	0	47,783	31,839	0	0	2,200,369	2,371,846
0	0	0	0	1,202,049	1,796,216	2,233,545	2,731,870
0	0	0	0	40,588,920	45,612,841	40,588,920	45,612,841
74,188	**106,599**	**272,394**	**248,470**	**44,582,329**	**49,096,044**	**50,442,463**	**54,839,494**
1/1/2009 – 12/31/2009	1/1/2008 – 12/31/2008	1/1/2009 – 12/31/2009	1/1/2008 – 12/31/2008	1/1/2009 – 12/31/2009	1/1/2008 – 12/31/2008	1/1/2009 – 12/31/2009	1/1/2008 – 12/31/2008
135,962	1,121,684	812,504	526,266	0	0	11,687,382	14,553,797
–56,939	–844,718	–803,052	–849,545	0	0	–8,493,278	–11,864,594
79,023	**276,966**	**9,452**	**–323,279**	**0**	**0**	**3,194,104**	**2,689,203**
						–7,700,893	–7,190,209
						–4,506,789	**–4,501,006**
						722,009	2,145,544
						–3,784,780	**–2,355,462**
						0	0
						–3,784,780	**–2,355,462**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR FROM JANUARY 1, 2009, TO DECEMBER 31, 2009

1. GENERAL INFORMATION

SFC Smart Fuel Cell AG (the Company) is a stock corporation domiciled in Germany. The Company's headquarters is located at Eugen-Sänger-Ring 4, 85649 Brunnthal. The Company is entered in the Commercial Register of the Local Court of Munich under number HRB 144296. The principal activities of the Company and its subsidiary (the Group) are described in Note 38 "Disclosures on consolidated segment reporting."

Accounting principles

In application of § 315a HGB, the consolidated financial statements at December 31, 2009, were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable as of the reporting date and as endorsed by the European Union (EU). IFRS includes the IFRS statements approved by the International Accounting Standards Board, the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

These are the Company's consolidated financial statements. The consolidated financial statements reflect fairly the assets, financial condition and earnings of SFC.

The Company's financial year is the calendar year (January 1 to December 31).

The consolidated financial statements are presented in euros (€). The Notes are also stated in euros (€) unless otherwise indicated. Please note that small differences can arise in rounded amounts and percentages due to commercial rounding of figures.

The consolidated income statement was prepared using the cost-of-sales method. The additional disclosures of costs of materials and personnel costs are shown separately in the Notes.

The Supervisory Board and the Management Board will authorize the publication of these consolidated financial statements on March 24, 2010.

Accounting Standards Applied

For financial year 2009, all relevant accounting standards were applied that are compulsory in the EU for financial years beginning on or after January 1, 2009. This includes the following interpretations that were applicable for the first time:

IFRS 1 "First-Time Adoption of IFRS" and IAS 27 "Consolidated and Separate Financial Statements": The amendments allow companies adopting IFRS for the first time in their separate financial statements under IFRS to state the acquisition cost of an investment either as the fair value or as the carrying amount under the previous national accounting requirements. This provision applies to jointly controlled entities, associates, and subsidiaries. The requirement to apply an impairment test to distributions of revenue reserves that were set aside before the acquisition date of the shares has been removed from IAS 27. The amendments are applicable to financial years beginning on or after January 1, 2009. The amended standard had no effect on our consolidated financial statements.

IFRS 2 "Share-Based Payment": The new version of IFRS 2 was obligatory for the first time for financial years beginning on or after January 1, 2009. The amendments primarily concern the definition of vesting conditions and the provisions for cancellation of a plan by a party other than the issuing entity. These new provisions had no material effects on the presentation of the assets, financial condition or earnings situation.

IFRS 7 "Financial Instruments: Disclosures": The amendments and additions to the disclosure requirements of IFRS 7 relate primarily to disclosures about fair value and liquidity. The amendments apply to financial years beginning on or after January 1, 2009. Enhanced disclosures have resulted from adoption of the amendments. Please see Note 33 "Financial Instruments."

IFRS 8 "Operating Segments": This standard requires entities to adopt the "management approach" to reporting on the financial performance of their operating segments. Operating segments are components of an entity whose operating results are regularly evaluated by a central decision maker and form the basis for deciding how to allocate resources and evaluating performance. Segment information must be reported on the basis that is used internally. IFRS 8 was obligatory for the first time for financial years beginning on or after January 1, 2009. Because SFC adopted this standard in 2008, there were no effects on the consolidated financial statements.

IAS 1 "Presentation of Financial Statements": The revisions to IAS 1 govern the presentation of non-owner changes in equity and provide uniform terminology for annual financial statement components, with the aim of improving users' ability to analyze and compare the information given in financial statements. The revisions to IAS 1 are required to be used for reporting periods beginning on or after January 1, 2009. The application of this standard expanded and changed the presentation of the consolidated financial statements.

IAS 23 "Borrowing Costs": The amended standard was to be used the first time for financial years beginning on or after January 1, 2009. For qualifying assets, the new version of IAS 23 eliminates the option to use the "immediate expensing model" for borrowing costs and makes capitalization mandatory. This new provision had no effects on the presentation of the assets, financial condition or earnings situation.

IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements": The amended IAS 32 was released in February 2008 and is to be used for financial years beginning on or after January 1, 2009. Certain instruments are now excepted from the definition of financial liabilities. This new provision had no effects on the presentation of the assets, financial condition or earnings situation.

IAS 39 "Financial instruments: Recognition and Measurement" and IFRS 7 "Financial instruments: Disclosure": The IASB published two revisions of IAS 39 / IFRS 7 "Reclassification of Financial Assets" in October and November 2008. The revisions are obligatory for all financial years beginning on or after July 1, 2008. There were no effects on the consolidated financial statements.

IFRIC 13 "Customer Loyalty Programs": The interpretation addresses accounting by companies that award bonus credits (loyalty points or airline miles) to customers, who receive them when they buy other goods or services. The interpretation was required to be used for financial years beginning on or after July 1, 2008. It had no effect on the annual financial statements.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction": IFRIC 14 gives general guidelines for determining the upper limit of pension fund surpluses that can be carried as an asset under IAS 19. The interpretation was obligatory for the first time for financial years beginning on or after July 1, 2008 or, in the EU, for financial years beginning after December 31, 2008. It had no effect on the consolidated financial statements.

AIP "Improvements to IFRS 2006 – 2008": The IASB published the improvements to various IFRS standards on May 22, 2008. They are the result of the first Annual Improvement Process (AIP) project of the IASB and included revisions to 25 IFRS's and consequential amendments to other standards. The amendments are divided into two parts: amendments to standards which involve changes in accounting, such as amendments related to issues of presentation, carrying values and measurement (including IFRS 5, IAS 1, IAS 16, IAS 17 and IAS 19) and changes in terminology or editing changes that have minimal effects on accounting. Unless otherwise specified in the standard, amendments are required to be used for financial years beginning, as a rule, on or after January 1, 2009. There were no effects on the consolidated financial statements.

The following standards and interpretations have already been published but are not yet mandatory and were not adopted early:

IFRS 1 "First-Time Adoption of IFRS": The changes relate exclusively to the formal structure of IFRS 1. A distinction is made between the general and specific provisions of the standard. The new structure is intended to improve the clarity and usability of IFRS 1. The revised IFRS 1 replaces the current version of IFRS 1 and is obligatory for the first time for financial years beginning on or after July 1, 2009. The amended standard had no effect on our consolidated financial statements. In the EU, the standard is obligatory for financial years beginning on or after January 1, 2010.

IFRS 1 "First-Time Adoption of IFRS": The IASB published a "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Proposed Amendment to IFRS 1)" on November 26, 2009. The main thrust of the amendment is to give first-time adopters the same relief concerning disclosures under IFRS 7 as early adopters of the changes for financial instruments in March 2009 ("Improving Disclosures about Financial Instruments Amendments to IFRS 7 Financial Instruments: Disclosures"). Accordingly, first-time adopters are exempted from the disclosure of comparison figures for previous periods as required by the amendment of March 2009 if the first reporting period under IFRS begins before January 1, 2010. As of the reporting date, the amended standard had not yet been approved by the European Commission for adoption in the EU. First-time adoption will not have any effects on the Company's consolidated financial statements.

IFRS 1 "First-Time Adoption of IFRS": The revisions were published on July 23, 2009. They relate to retrospective use of IFRS in specific situations and are intended to ensure that companies do not incur unreasonable costs when switching to IFRS. The revisions contain the following exemptions:

- Companies in the oil and gas industry that under national accounting requirements grouped in cost centers the exploration and development costs for objects during the development or production phase in one geographic region are exempted from complete retrospective application of IFRS to the relevant oil and gas assets.

- Companies with existing lease agreements are not required to reassess the classification of those agreements under IFRIC 4 "Determining Whether an Arrangement Contains a Lease" if a determination under national accounting requirements which is comparable to the provisions of IFRIC 4 has already been done at an earlier reporting date.

The amended IFRS 1 will be effective for financial years beginning on or after January 1, 2010, but, as of the reporting date, had not yet been approved by the European Commission for adoption in the EU. First-time adoption will not have any effects on the Company's consolidated financial statements.

IFRS 2 "Share-Based Payment": The IASB published revisions to IFRS 2 concerning the accounting for cash-settled share-based payment. The main thrust of the amendments of IFRS 2 is as follows:

- The scope of IFRS 2: An entity that receives goods or services in a share-based payment arrangement must subsequently account for those goods or services, no matter what entity in the group fulfills the corresponding obligation and whether the transaction is settled in shares or cash.

- The interaction of IFRS 2 and other standards: The IASB makes it clear that "group" has the same meaning as in IAS 27. A group includes a parent company and its subsidiaries.

The amendments are retroactive to financial years that begin on or after June 30, 2010. However, as of the reporting date, the amended standard had not yet been approved by the European Commission for adoption in the EU. It is anticipated that the first-time use of this amended standard will not have material effects on the consolidated financial statements.

IFRS 3 "Business Combinations": The amended standard was released in January 2008 and is to be used for financial years beginning on or after July 1, 2009. The new version of IFRS 3 provides an option in the recognition of non-controlling interests: they may be measured at fair value or at the proportionate share of identifiable net assets. The proportionate share already held is remeasured if control of the entity is subsequently acquired, and the change is recognized in profit or loss. Since the Group has not carried out any business combinations to date, the interpretation has no effect at present.

IFRS 9 "Financial Instruments: Classification and Measurement": The IASB published IFRS 9, which covers the classification and measurement of financial assets, on November 12, 2009. This is the first phase of the project to replace IAS 39. IFRS 9 will enter into force for financial years beginning on or after January 1, 2013. However, as of the reporting date, the amended standard had not yet been approved by the European Commission for adoption in the EU. The review of the effects of first-time adoption of the standard on the Company's consolidated financial statements has not yet been completed.

IAS 24 "Related Party Disclosures": The IASB published revisions to IAS 24 on November 4, 2009, in an effort to simplify use of the standard in practice. The previous principle of IAS 24, which is to disclose information about transactions with related parties, has been retained. The amendments are required to be used for financial years beginning on or after January 1, 2011. However, as of the reporting date, the amended standard had not yet been approved by the European Commission for adoption in the EU. The first-time adoption is not anticipated to have any effects on the consolidated financial statements.

IAS 27 "Consolidated and Separate Financial Statements": The amended standard was released in January 2008 and is to be applied to financial years beginning on or after July 1, 2009. Dividends from jointly controlled entities, associates, and subsidiaries are to be recognized in the income statement, irrespective of whether the payout is made from profits before the acquisition date or not. If the distributions for one year exceed the total profit for that year, an impairment test must be applied. This new provision has no material effects on the presentation of the assets, financial condition or earnings situation.

IAS 32 "Financial Instruments: Presentation": The IASB issued an amendment to IAS 32 on the classification of rights issues on September 8, 2009. This standard clarifies cases in which rights issues are offered in a currency that differs from the functional currency of the entity. Such rights were previously accounted for as derivative liabilities. The amendment states that such rights should be classified as equity under certain conditions, regardless of the currency in which the exercise price is denominated. The new amendment covers only rights issues for which a fixed number of securities to be acquired and a fixed amount of foreign currency have previously been agreed and if the right is granted pro rata to all of an entity's existing shareholders of the same class. The amendments are required to be used for financial years beginning on or after February 1, 2010. First-time adoption is not anticipated to have any effects on the consolidated financial statements.

IAS 39 "Financial Instruments: Recognition and Measurement" and IFRIC 9 "Reassessment of Embedded Derivates": On March 12, 2009, the IASB issued amendments to standard IAS 39 "Financial Instruments: Recognition and Measurement" and interpretation IFRIC 9 "Reassessment of Embedded Derivatives" to clarify the accounting for embedded derivatives in the event of reclassification of hybrid financial instruments from the "Fair Value through Profit and Loss" category. The changes are obligatory for financial years beginning on or after June 30, 2009. They are not anticipated to have any effects on the consolidated financial statements.

IAS 39 "Financial Instruments: Recognition and Measurement": The IASB published amendments on June 30, 2008, to clarify two issues related to hedge accounting:

- Inflation risk of an underlying financial transaction
- One-sided risk of an underlying transaction

These amendments are based on the draft on exposures that qualify for hedge accounting, which was published in September 2007, but they are limited to the above two items. The amendments do not relate either to the issue of what exposures can be designated as an underlying transaction under IAS 39 or the European carve-out option, which is chosen by very few European entities. Those topics will be handled separately. The amendments to IAS 39 will enter into force for reporting periods beginning on or after July 1, 2009. No effects on the assets, financial condition or earnings situation are anticipated.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" and IAS 19 "Employee Benefits": The IASB issued amendments to IFRIC 14 on accounting for pensions on November 26, 2009. According to the previous provisions of IFRIC 14, a company is not allowed to recognize as an asset some prepayments for minimum funding requirements. This unintended consequence of the provisions of IFRIC 14 is eliminated by the proposed amendments. In future, under the new provisions an entity can record the advantage of such a prepayment as an asset as soon as the company is subject to minimum funding requirements and makes prepayments on contributions in order to fulfill those minimum funding requirements. The amendments to IFRIC 14 are compulsory for financial years beginning on January 1, 2011. However, as of the reporting date, the amended standard had not yet been approved by the European Commission for adoption in the EU. No effects on the consolidated financial statements are anticipated.

IFRIC 15 "Agreements for the Construction of Real Estate": This interpretation is to be used for financial years beginning on or after January 1, 2009 or (EU) after December 31, 2009. The aim of the interpretation is to standardize accounting practices by entities that develop real estate and that, in this capacity, sell units such as apartments or houses, "off plan" – that is, before construction is complete. It had no effect on the annual financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation": IFRIC 16 is to be used for financial years beginning on or after October 1, 2008 or (EU) July 1, 2009. The aim of the interpretation is to clarify two issues that arise under the two standards IAS 21 "The Effects of Changes in Foreign Exchange Rates" and IAS 39 "Financial Instruments: Recognition and Measurement" in connection with the recognition of hedges of foreign exchange rates within an entity and in its foreign operations. It had no effect on the consolidated financial statements.

IFRIC 17 "Distributions of Non-Cash Assets to Owners": This interpretation was released in November 2008 and governs how an entity should measure as cash other assets that it distributes to shareholders as dividends. IFRIC 17 is to be used for financial years beginning on or after July 1, 2009 or (EU) after October 31, 2009. No effects on the presentation of the assets, financial condition or earnings situation are expected from application of this interpretation.

IFRIC 18 "Transfers of Assets from Customers": IFRIC published the IFRIC interpretation on January 29, 2009. IFRIC 18 is particularly relevant for entities in the utility segment (such as power suppliers). The interpretation clarifies how to account for cases in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods and services (such as a supply of electricity, gas or water). IFRIC 18 is obligatory for transfers of assets that take place on or after July 1, 2009. No effects on the consolidated financial statements are anticipated.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments": This interpretation was published on November 26, 2009. IFRIC 19 relates to accounting under IFRS when a borrower extinguishes all or part of a financial liability by issuing shares or other equity instruments. IFRIC 19 is required to be used for financial years beginning on or after July 1, 2010. However, as of the reporting date, the amended standard had not yet been approved by the European Commission for adoption in the EU. No effects on the consolidated financial statements are anticipated.

AIP "Improvements to IFRS 2007 – 2009": In April 2009, the IASB published the "Annual Improvements 2007 – 2009," which amend ten IFRS's and two interpretations of the IFRIC. In addition to the amendments proposed in the "Proposed Amendments to IFRS" exposure draft in August 2008, the Annual Improvements published on April 16, 2009, also contain proposed changes that were previously published in the "Proposed Amendments to IFRS" exposure draft of October 2007 and in some cases in Exposure Draft ED 2009/01 of January 2009. Combining the amendments into one document is intended to reduce the effort involved in making adjustments. Most of the amendments will enter into force for reporting years beginning on or after January 1, 2010. However, as of the reporting date, the amended standards had not yet been approved by the European Commission for adoption in the EU. It is anticipated that there will be no material effects on the consolidated financial statements.

The adoption of the following standards had no impact on the Group's assets, financial condition and earnings situation as they are not relevant:

- IFRS 1 "First-Time Adoption of IFRS"
- IFRS 3 "Business Combinations"
- IFRS 4 "Insurance Contracts"
- IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations"
- IFRS 6 "Exploration for and Evaluation of Mineral Resources"
- IAS 26 "Accounting and Reporting by Retirement Benefit Plans"
- IAS 28 "Investments in Associates"
- IAS 29 "Financial Reporting in Hyperinflationary Economies"
- IAS 31 "Investments in Joint Ventures"
- IAS 40 "Investment Property"
- IAS 41 "Agriculture"

Use of assumptions and estimates

The preparation of the annual financial statements in accordance with IFRS requires management to make certain assumptions which have an effect on the measurement of assets and liabilities, disclosure of contingent assets and contingent liabilities at the balance sheet date, and the income and expenses disclosed.

Assumptions and estimates relate mainly to:

- Measurement of **provisions**, and particularly warranty provisions: management estimates are used to measure provisions. As of December 31, 2009, the carrying amount of recognized provisions was € 835,847 (previous year: € 770,496). Portions of the warranty provisions relate to long-term obligations. The long-term portion came to € 264,241 at December 31, 2009 (previous year: € 243,581). The discounting factor is 4 %. For further information, see Note 24 "Other provisions".

- Determination of **useful lives** for property, plant and equipment and intangible assets: the useful lives for non-current assets are based on estimates by management. SFC reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each financial year. No estimated useful lives were changed during the financial year.

- **Mandatory capitalization** of self-produced **intangible assets:** Based on management's planning and estimate, development costs are capitalized beginning in financial year 2006 to the extent the criteria of IAS 38.57 are fulfilled. The capital increase in financial year 2006 helped to secure SFC's long-term focus, which is necessary to generate uses for the results of our development activities. In financial year 2009, development costs and proprietary patents of € 1,038,846 (previous year: € 1,007,178) were capitalized. Scheduled amortization of these intangible assets from own production for 2009 came to € 386,934 (previous year: € 261,080). The carrying amount of intangible assets from own production as of the reporting date was € 2,252,348 (previous year: € 1,628,608). For further information, see "Intangible assets" under Section 2, "Accounting Principles".

- The recognition of **deferred tax assets,** particularly for losses carried forward: The maximum amount at which deferred tax assets are recognized on losses carried forward is the amount at which they, after deduction of the other deferred tax assets, can be offset against deferred tax losses, since the availability of future taxable income to offset tax loss carryforwards cannot be predicted with sufficient certainty. In financial year 2009, because of higher deferred tax liabilities, the carrying amount of the deferred tax assets was increased by € 239,868. As a result, the recognized figure for deferred tax assets offsettable against loss carryforwards as of December 31, 2009, was € 690,750 (previous year: € 450,882).

- Measurement of **share-based payment:** The Company set up several share option programs in previous years. A Long Term Incentive Plan for members of the Management Board and selected executives was also adopted during financial year 2009. The resulting expenses for financial year 2009 were € 182,548 (previous year: € 72,003). For further information about these programs, the fundamental assumptions and the resulting expenses, see Note 34 "Share-Based Payment".

- **Partial realization of profits:** SFC performs development assignments under the Joint Development Agreements (JDA). At December 31, 2009, the carrying amount for receivables from percentage-of-completion was € 6,930 (previous year: € 151,148). Revenues from development contracts came to € 996,561 in financial year 2009 (previous year: € 3,509,396). With respect to income disclosure, please see Section 2 "Accounting Principles" and with regard to the carrying amounts, please see Note 16 "Receivables from Percentage-of-Completion".

- **Write-down of non-financial assets:** The Group evaluates all non-financial assets at each balance sheet date to determine whether there are indications of impairment. Impairment losses of € 28,172 (previous year: € 0) were recognized on intangible assets during financial year 2009. Please see Note 22 "Intangible Assets".

- **Impairment of receivables:** Management estimates write-downs for receivables expected to be uncollectible based on past experience and the current economic environment. There were write-downs of € 7,142 (previous year: € 16,409) at December 31, 2009. See Note 33 "Financial Instruments".

- **Fair values of financial assets or liabilities:** The book values of trade accounts receivable, other short-term financial assets, cash and cash equivalents, trade accounts payable, short-term leasing liabilities and other short-term liabilities are close to the fair values because they are exclusively short-term. The fair values of the derivative financial instruments shown in the consolidated financial statements are determined on the basis of observed market parameters (particularly interest, foreign exchange, and commodities prices). See Note 33 "Financial Instruments" for additional details.

Actual amounts arising in future periods may vary from estimates. Changes are recognized in income or expense as soon as this becomes apparent.

Scope of consolidation

The consolidated financial statements include SFC as the ultimate parent company and its U.S. subsidiary.

A subsidiary is any entity in which the Group has the power to govern the financial and operating policies; this control is regularly accompanied by a share of more than 50 % of the voting rights. Subsidiaries are consolidated (full consolidation) as of the date on which the Group acquires control. They are deconsolidated as of the date on which the Group no longer has control.

SFC Smart Fuel Cell, Inc., headquartered in Atlanta, Georgia, USA, was formed as a wholly-owned subsidiary of SFC by filing articles of incorporation on July 25, 2008. SFC's consolidated financial statements fully consolidated SFC Smart Fuel Cell, Inc. as of the date of the opening balance sheet.

The annual financial statements of the consolidated companies, which have been prepared in conformity with their national GAAPs, have been reconciled with IFRS and adjusted to reflect the Group's accounting principles.

The financial year of the consolidated companies is the same as the calendar year (January 1 through December 31).

Shareholdings as of December 31, 2009

SHARES IN AFFILIATED COMPANIES

Name of company	Registered office	Share in %	Equity in €	Net result in €
SFC Smart Fuel Cell, Inc	Atlanta (USA)	100	–359,380	–333,894

Consolidation methods

Capital is consolidated in compliance with IAS 27 "Consolidated and Separate Financial Statements under IFRS" by offsetting the carrying amount of the equity interest against the subsidiary's equity as of the date of the opening balance sheet.

The effects of all material intra-Group transactions are eliminated. Receivables and liabilities between consolidated companies are offset against one another. All income and expenses from intra-Group transactions are likewise eliminated.

There was no occasion to eliminate intra-Group profits, and it was not necessary to recognize deferred tax items as a consequence of consolidation measures.

Foreign currency translation

In the single-entity financial statements of the consolidated companies, which are prepared in the local currency, SFC measures foreign currency transactions arising from business activities in accordance with IAS 21 "Effects of Changes in Foreign Exchange Rates" using the transaction exchange rate. Gains or losses arising from foreign currency translation are recognized in the income statement.

The consolidated company's single-entity financial statements prepared in foreign currency are translated on the basis of the concept of functional currency under IAS 21 "Effects of Changes in Foreign Exchange Rates," using the modified closing rate method. Since SFC's subsidiary generally does business autonomously in financial, economic and organizational terms, the functional currency is identical with the Company's local currency.

Consequently assets and liabilities are translated at the exchange rate applicable on the reporting date; equity is translated at historical rates; and expenses and income are translated at the average rate. The difference resulting from foreign currency translation is offset with no effect on profit or loss, and is recognized separately in equity as other changes in equity not affecting profit or loss.

The exchange rate for the foreign currency that is of material interest to the Group evolved as follows:

in €

		Average rate	Rate on reporting date	Average rate	Rate on reporting date
		2009	Dec, 31, 2009	2008	Dec, 31, 2008
U.S. dollar	USD	0,71685	0,69589	0,74403	0,70950

2. ACCOUNTING PRINCIPLES

Revenue Recognition

The Company's revenues result primarily from the sale of products in the A-series and Joint Development Agreements (JDA). The so-called A-series is the series-produced EFOY product used in the leisure sector, primarily for caravans and boats. The EFOY Pro also supplies the leisure and mobility market with fuel cells for the reliable provision of remote power. For the first time in financial year 2009, revenues also included sales of A series systems specifically developed for the defence segment (FC 250, EMILY). The Joint Development Agreements are product development contracts carried out by the Company together with various public and private clients. SFC develops fuel cells and Power Managers customized to the needs of the client.

The "Power Manager" also accounted for a considerable portion of revenues in financial year 2008. The Power Manager is a versatile electronic converter that enable and facilitates charging and operation of various types of electronic equipment and batteries with different power sources.

Revenues are also generated from the sale of portable fuel cells, the so-called C-series, with the JENNY and M25 products, as well as from the sale of fuel cartridges and other products and from consulting services.

Long-term development contracts are accounted for using the percentage-of-completion method (PoC method). The percentage of a contract completed is determined using the ratio of costs incurred against the estimated total cost (cost-to-cost method). Contracts are shown under assets or liabilities from percentage-of-completion. Where accumulated performance (production costs incurred plus profits shown) exceeds individual advance payments, production orders are carried under assets from percentage-of-completion. If there is a negative result after deduction of advance payments, this amount is included under liabilities from percentage-of-completion. Adjustments to estimates of order income or costs are treated as changes in estimates within the meaning of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Other revenues are recognized when the customer or other party responsible for transport picks up the order, i.e., at the time when opportunities and risks are transferred to the customer, so long as the amount of revenue can be reliably calculated, economic benefits will flow to the Company and the costs involved in selling the item can be reliably calculated. Revenues are recognized at the value of the consideration for the sale and delivery of the product to the customer.

Expense recognition

Production costs of work performed to generate sales and operating expenses are shown at the time of performance or at the time they are incurred.

Intangible assets

Intangible assets acquired for valuable consideration are carried at cost, less amortization on a straight-line basis over the estimated useful life of the asset.

Amortization periods are as follows:

- ERP software 8 years
- Software 3 years
- Patents 5 years
- Licenses 3 years

Customizing costs for acquired ERP software as costs directly attributable to the acquisition are allocated to intangible assets. They are amortized on a straight-line basis over the expected useful life of the ERP software.

Development costs are capitalized in accordance with IAS 38 "Intangible Assets" if a newly developed asset can be clearly defined, is technically feasible and is intended either for the Company's own use or is to be sold. Capitalization also presumes that it is likely that the development costs will be covered by future cash flows and the development expenses can be reliably measured. Capitalized development costs are amortized on a straight-line basis over the expected useful life of the asset. The useful life of the development costs to be amortized is 5 years. Where requirements for capitalization are not met, expenses are recognized in the year in which they arise. Research costs are shown as current expenses under IAS 38.

There are no intangible assets with an unlimited useful life.

Property, plant and equipment

Property, plant and equipment is carried at cost, less depreciation, in accordance with its estimated useful life. Cost includes individual costs and an appropriate proportion of overheads.

Property, plant and equipment is depreciated on a straight-line basis.

The depreciation periods are:

- Technical plant and machinery 3 – 10 years
- Other equipment, fixtures and fittings 3 – 13 years

For information about accounting for leased assets, see the following explanations of "Leasing."

Cost of borrowing

If the production phase of an item of plant or equipment extends over a long period of time, any borrowing costs incurred until completion of the asset are capitalized as part of acquisition or manufacturing costs in accordance with the provisions of IAS 23. As during the previous year, there were no such borrowing costs during financial year 2009.

Write-down of non-financial assets

The impairment of the carrying amounts of intangible assets and non-current assets is tested on the basis of the cash flows expected from the use of the asset (discounted by a risk-adjusted interest rate) and of the net selling price (impairment testing), if events or market developments suggest a possible correction of the estimated useful life or a possible reduction in value. Furthermore, an annual impairment test must be made for intangible assets not yet able to be used. If the net carrying amount of an asset is higher than the realizable amount (greater of value in use or net selling value), an impairment loss is recognized. In calculating expected cash flows, account is taken of actual and predicted income levels and sector-specific, technological, economic and general developments. If the basis of a previous write-down is no longer valid, the write-down of the amortized cost is reversed (to the extent permissible).

Impairment losses of € 28,172 (previous year: € 0) were recognized on intangible assets in financial year 2009, since both their value in use and net selling value were assumed to be € 0. Please see Note 22 "Intangible assets."

As during the previous year, there was no need for write-downs of property, plant and equipment.

Leasing

Leasing contracts are classified as finance leases when the leasing conditions transfer all important risks and opportunities associated with ownership to the lessee. All other leasing contracts, where economic ownership remains with the lessor, are operating leases.

In the past, the Company entered into a sale and lease back agreement, which is a finance lease. When the contract was entered into, the assets were initially recognized at the amount of the present value of the minimum leasing payments and the same amount was carried as a liability. Thereafter, assets are written down over the shorter of the useful life or the length of contract. Leasing payments are divided into interest and repayment. Income from the sale is deferred and distributed on a straight-line basis over the expected useful life of the asset.

Changes to the leasing agreement are treated as changes to estimates within the meaning of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", unless they lead to another classification.

The rental and leasing payments from the SFC Operating Leases are recognized on a straight-line basis over the term of the contract. The leased assets are accounted for by the lessor.

Inventories

Raw materials and supplies are carried at cost at the time of acquisition, plus any additional acquisition costs less any acquisition cost reductions. Finished goods and work in progress are carried at production price, including directly attributable costs and general production and materials costs.

Thereafter, inventories are measured taking into account the expected net selling value at the balance sheet date. The consumption tracking method used is the weighted average cost.

Financial assets

Financial assets within the meaning of IAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale assets.

Financial assets are measured at fair value at initial recognition. In the case of financial assets not fair valued through profit or loss, transaction costs directly attributable to the acquisition of the financial asset or the issue of the financial liability are also included.

SFC decides the classification of its financial assets at initial recognition and reviews this classification at the end of each fiscal year wherever permitted and appropriate. As of the reporting date, the Group had not classified any financial assets as "held to maturity" or "available for sale".

Except for derivative financial instruments, the Group has no financial assets at fair value through profit or loss as of the reporting date. Please see the notes on "Derivative Financial Instruments".

Securities acquired and sold again over the course of the year for trading purposes are also categorized as financial assets at fair value through profit or loss, since they were acquired with the intention of reselling them in the short term. As a result of sales over the course of the year, there are no such items at the reporting date.

Loans and receivables are measured at amortized cost using the effective interest rate method. This category particularly includes trade accounts receivable, other assets, and cash and cash equivalents.

A financial asset is derecognized when the Group loses control over the contractual rights that gave rise to the financial asset.

Impairment of financial assets

Financial assets or groups of financial assets are tested for impairment at each balance sheet date. An impairment loss is recognized immediately in the income statement. Financial assets are impaired if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset that there has been a negative change in the expected cash flows from the financial investment.

Trade accounts receivable are measured at amortized cost, less appropriate write-downs for recognizable individual risks; this corresponds to the market value.

Other financial assets and receivables are recognized at amortized cost. If there are doubts as to whether such other financial assets are collectible, write-downs are applied for the individual case.

Government grants

Government grants consist of sponsorship for development activities by SFC, and were received for the development of new fuel cell systems. Investments in research, process development, pilot production infrastructure and the costs of studying product field quality have also received subsidies.

If development costs are capitalized pursuant to IAS 38 "Intangible Assets", the grants for assets are carried as a reduction in the cost of the asset involved.

If the prerequisites for capitalization are not met, the grants are carried as a reduction of research and development costs, production costs of work performed to generate sales, and general administration costs.

Investment grants are deducted directly from acquisition costs.

Deferred taxes

Deferred tax assets and liabilities are recognized using the balance sheet liability method in accordance with IAS 12 "Income Taxes" for all temporary differences between amounts under tax rules and amounts under IFRS. In accordance with IAS 12.34, deferred tax assets on losses carried forward are only recognized in the amount for which it is anticipated that there will be sufficient future taxable profits for the loss carryforwards to be set off. Thus far, we have only recognized deferred tax assets on these loss carryforwards to the extent that they can be offset against deferred tax liabilities, because future taxable income cannot be assumed with sufficient certainty.

Deferred tax liabilities are recognized on the basis of tax rates applicable at the time of realization.

Provisions

Provisions are recognized in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" if there is a current obligation to a third party from a past event which will probably lead to a future outflow of resources and can be reliably determined. This means that the probability of occurrence must be higher than 50 %. Provisions are recognized for identifiable risks and contingent liabilities in the amount they are likely to cost and are not offset against reimbursements. Other long-term provisions are discounted. The settlement amount includes cost increases to be taken into consideration at the balance sheet date.

Provisions for warranty claims are recognized on the basis of existing or estimated future claims for damages. There are no guarantees or warranty obligations in excess of normally accepted business levels.

Financial liabilities

Financial liabilities are classified at initial recognition, in accordance with IAS 39, as fair valued through profit or loss or as measured at amortized cost.

SFC decides the classification of its financial liabilities at initial recognition and reviews this designation at the end of each financial year, wherever permissible and appropriate.

Except for derivative financial instruments, the Group has no financial liabilities at fair value through profit or loss. Please see the discussion under "Derivative Financial Instruments."

Financial liabilities measured at amortized cost are measured at initial recognition at the fair value of the received consideration less any transaction costs associated with the borrowing. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

A financial liability is derecognized when the underlying obligation has been discharged or cancelled or has expired.

Derivative financial instruments

The Company has derivative financial instruments consisting of currency forwards and commodity futures, which are assigned to the category "fair value through profit or loss". They are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. A positive market value is shown under "other assets," while a negative market value is shown under "other liabilities."

Hedge accounting is not used.

3. NOTES ON THE CONSOLIDATED INCOME STATEMENT

(1) Sales

Sales are shown in the following table:

		in €
	1/1–12/31/2009	1/1–12/31/2008
Sales	**11,687,382**	**14,553,797**
there of from PoC	996,561	3,509,396

For a breakdown of sales by product, see the consolidated segment reporting and the explanations under Note 38 "Disclosures on consolidated segment reporting".

(2) Production costs of work performed to generate sales

Production costs of work performed to generate sales are as follows:

in €	1/1–12/31/2009	1/1–12/31/2008
Cost of materials	5,911,987	7,719,706
Personnel costs	1,545,993	2,644,118
Depreciation and amortization	285,764	348,739
Transport costs	258,301	276,514
Cost of premises	120,499	174,524
Consultancy	99,969	133,545
Warranties	46,013	196,721
Other	276,617	370,727
Set-off against grants	–51,865	0
Total	**8,493,278**	**11,864,594**

(3) Sales costs

Sales costs are as follows:

in €	1/1–12/31/2009	1/1–12/31/2008
Personnel costs	2,165,337	1,731,773
Advertising and travel costs	1,001,036	1,288,720
Consultancy/commissions	614,517	668,332
Other	664,286	608,046
Total	**4,445,176**	**4,296,871**

(4) Research and development costs

Research and development costs are as follows:

in €	1/1–12/31/2009	1/1–12/31/2008
Personnel costs	2,135,738	773,327
Cost of materials	776,985	1,262,761
Depreciation and amortization of self produced assets	415,106	261,080
Other depreciation and amortization	81,678	67,912
Consultancy and patents	210,640	73,417
Cost of premises	86,933	41,871
Other	172,824	112,521
Capitalization of self-produced assets	–1,038,846	–1,007,178
Set-off against grants	–1,333,330	–807,969
Total	**1,507,728**	**777,743**

(5) General administration costs

General administration costs are as follows:

in €	1/1–12/31/2009	1/1–12/31/2008
Personnel costs	951,694	850,307
Audit and consultancy costs	353,050	326,971
Investor relations/annual meeting	211,966	242,360
Supervisory Board compensation	168,333	168,694
Travel costs	165,597	156,797
Depreciation and amortization	123,180	102,743
Insurance	87,775	88,008
Car-operating costs	54,940	44,879
Costs of hardware and software support	38,714	38,323
Recruiting costs	12,456	97,279
Other	254,264	184,732
Set-off against grants	–292,860	–135,853
Total	**2,129,109**	**2,165,240**

(6) Other operating income

Other operating income is as follows:

in €	1/1–12/31/2009	1/1–12/31/2008
Income from mark-to-market of derivatives	306,151	609
Foreign exchange transaction gains	64,738	8,378
Income from sale and leaseback	33,092	79,420
Income from other periods	3,538	9,427
Prize money	0	430,857
Other	9,348	16,050
Total	**416,867**	**544,741**

Income from sale and leaseback transactions relates to the amortization of proceeds from the sale of the assets in question that were deferred in accordance with IFRS.

The prize money last year came from prizes (first and third place) won by SFC in financial year 2008 in the "Wearable Power Prize Challenge" of the U.S. Department of Defense.

(7) Other operating expenses

Other operating expenses can be broken down as follows:

in €	1/1–12/31/2009	1/1–12/31/2008
Foreign exchange transaction losses	31,526	5,470
Expenses from other periods	1,129	4,481
Expenses from the market valuation of derivatives	84	484,911
Other	3,008	234
Total	**35,747**	**495,096**

(8) Interest and similar income

Interest and similar income was as follows:

in €	1/1 – 12/31/2009	1/1 – 12/31/2008
Interest income from liquid funds	726,456	2,069,857
Interim gains on sales of securities	850	104,031
Other	16,324	11,677
Total	**743,630**	**2,185,565**

The interim gains on sales of securities come from securities acquired and sold again over the course of the year for trading purposes. The Group no longer held securities at the reporting date.

(9) Interest and similar expense

Interest and similar expense was as follows:

in €	1/1 – 12/31/2009	1/1 – 12/31/2008
Interest-like expenses	21,610	35,604
Other	11	4,417
Total	**21,621**	**40,021**

(10) Income taxes

As in the previous year, income taxes for financial year 2009 came to € 0.

The assessment rate for trade tax (Gewerbesteuer) in the District of Brunnthal is 330. This resulted in a trade tax rate of 11.55 % and a total corporate income tax rate (including corporate income tax and the solidarity surcharge) for SFC of 27.40 %.

Income taxes are calculated for the foreign subsidiary using the applicable tax rate for the specific country.

Deferred tax assets and liabilities were as follows:

		in €
	12/31/2009	12/31/2008
Tax rate	**27.40 %**	**27.40 %**
Deferred tax assets		
for liabilities from contract development	0	174,013
for liabilities from finance leasing	0	41,419
from loss carryforwards	9,274,180	8,150,072
Write-down of deferred tax assets	–8,583,431	–7,699,190
Total	**690,750**	**666,314**
Deferred tax liabilities		
for intangible assets	628,134	460,903
for other assets	54,815	12,911
for provisions	5,904	5,442
for receivables from contract development	1,897	166,432
for fixed assets from finance leasing	0	20,626
Total	**690,750**	**666,314**

Subject to the operating audit, at the balance sheet date there were tax losses carried forward in the amount of approximately € 34,860,599 (2008: € 30,776,701) for corporate income tax and approximately € 32,451,163 (2008: € 28,377,457) for trade tax. As mentioned above, the maximum amount of deferred tax assets recognized on tax loss carryforwards was the amount at which they, after deduction of the other deferred tax assets, can be offset against deferred tax liabilities, because future use of these loss carryforwards cannot yet be established with sufficient certainty. Please see the explanations of the assumptions and estimates in these Notes. The tax loss carryforwards are exclusively losses carried forward in Germany and the United States, which in principle can be carried forward indefinitely in Germany, while they expire after 20 years in the United States.

The following table shows a reconciliation of the income taxes expected in each financial year to the actual tax charge shown on the consolidated income statement:

in €	2009	2008
Tax rate	**27.40 %**	**27.40 %**
Net loss	**–3,784,780**	**–2,355,462**
Expected tax charge	**–1,037,030**	**–645,397**
Deviations		
1. Change in write-down of deferred tax assets	884,241	378,114
2. Differences in the tax rate	21,302	2,409
3. Taxes from permanent differences - non-deductible expenses	–25,825	–29,786
4. Non-deductible expenses from share options	0	19,714
5. Other	157,312	274,946
Tax charge pursuant to consolidated income statement	**0**	**0**

Differences in the tax rate were not shown separately in the 2008 consolidated financial statements. The data for the previous year has been adjusted accordingly.

(11) Cost of materials

Cost of materials was as follows:

in €	1/1 – 12/31/2009	1/1 – 12/31/2008
Raw materials and supplies and related goods	6,132,546	7,847,292
Related services	720,250	1,393,210
Set-off against grants	–322,890	–424,263
Total	**6,529,906**	**8,816,239**

(12) Depreciation and amortization

Depreciation and amortization of assets is set forth in the Consolidated Summary of Fixed Assets.

The consolidated income statement was prepared in accordance with the cost-of-sales method and includes pro rata depreciation and amortization for property, plant and equipment and intangible assets in the production costs of work performed to generate sales, sales costs, research and development costs and general administration costs.

(13) Personnel expenses and employees

Personnel expenses were as follows:

		in €
	1/1 – 12/31/2009	1/1 – 12/31/2008
Wages and salaries	5,032,042	4,697,096
Social security expenses required by law	799,818	768,081
Variables/bonuses	633,673	302,327
Expenses from share options/Long Term Incentive Plan	182,548	72,003
Other social security expenses/pensions	141,347	126,710
Other	9,334	33,307
Capitalization of development costs	–596,703	–328,319
Set-off against grants	–948,270	–330,093
Total	**5,253,789**	**5,341,112**

The social security expenses required by law include the Company's share of € 436,136 in contributions to the public pension insurance system (previous year: € 422,561).

The average number of permanent employees was as follows:

	1/1 – 12/31/2009	1/1 – 12/31/2008
Full-time employees (incl. Management Board)	89	90
Part-time employees	6	6
Total	**95**	**96**

There was also an average of 10 (previous year: 7) trainees, graduates, and student trainees during the year.

4. NOTES ON THE CONSOLIDATED BALANCE SHEET

(14) Inventories

Inventories had a remaining term of less than one year, and consisted of the following:

in €	12/31/2009	12/31/2008
Raw materials and supplies	925,700	779,600
Unfinished goods	112,300	65,700
Finished goods	289,600	305,700
Total	**1,327,600**	**1,151,000**

Taking into account the achievable net proceeds on disposal, the following impairments were made to inventories:

in €	12/31/2009	12/31/2008
Raw materials and supplies - before impairment	954,050	806,662
Impairment	–28,350	–27,062
Net book value	**925,700**	**779,600**

in €	12/31/2009	12/31/2008
Unfinished and finished goods - before impairment	451,454	411,012
Impairment	–49,554	–39,612
Net book value	**401,900**	**371,400**

A total of € 76,648 for impairment of inventories (previous year: € 40,827) was expensed in financial year 2009.

(15) Trade accounts receivable

Trade accounts receivable and allowances for the risk of default consisted of the following:

in €	12/31/2009	12/31/2008
Trade accounts receivable – gross	2,207,511	2,388,255
Allowances for risk of default	–7,142	–16,409
Trade accounts receivable – net	**2,200,369**	**2,371,846**

All trade accounts receivable are due in less than one year.

(16) Receivables from percentage-of-completion

In the receivables from percentage-of-completion, production costs incurred (including profit contributions) are set off against prepayments received. Because the revenues realized in financial year 2009 exceed the prepayments received, there were receivables from percentage-of-completion as of the reporting date.

		in €
	12/31/2009	12/31/2008
Proceeds shown	996,561	3,509,396
Partial settlements and advance payments received	989,631	3,358,248
Receivables from percentage-of-completion	**6,930**	**151,148**
there of production costs incurred	613,465	2,515,499

Adjustments made to the estimates were treated as changes in estimates in accordance with IAS 8 "Accounting Policies: Changes of Estimates and Errors". The effects thereof were recognized in the income statement. In financial year 2009, estimated total project costs increased € 96,296 against the previous year (previous year: € 52,461), primarily due to changes in technical specifications. Furthermore, the project volume for orders denominated in foreign currencies increased € 118,806 because of adjustments in contractual terms and conditions, as well as changes in exchange rates (previous year: € 1,366 due to changes in exchange rates). Consequently, sales increased € 118,806 in 2009 (previous year: decrease of € 9,940), and the gross margin increased € 22,511 (previous year: decrease of € 62,051). The change in total project costs will not change costs in subsequent years (previous year: increase of € 350).

Receivables from percentage-of-completion have remaining terms of less than one year.

As in the previous year, no borrowing costs were incurred in conjunction with work and services provided under JDAs in financial year 2009.

(17) Income tax receivables

The income tax receivables relate to refunds of withholding tax on capital (including the solidarity surcharge), and have a remaining term of less than one year.

(18) Other assets and receivables

Other long-term assets and receivables pertain to prepayments made for the purchase of components for circuit boards and their assembly. They are recognized at present value. An interest rate of 8 % is applied for discounting.

Other short-term assets and receivables were due in less than one year, and consisted of the following:

		in €
	12/31/2009	12/31/2008
Receivables from grants	818,264	580,462
Market value of derivatives	150,108	609
Prepayments made	143,016	138,100
VAT receivables	50,417	122,786
Interest receivable on time deposits	15,357	92,251
Other	47,908	9,264
Total	**1,225,070**	**943,472**

Other assets and receivables include financial assets in the amount of € 983,729 (previous year: € 673,321).

(19) Cash and cash equivalents

Cash and cash equivalents consist of cash and current account balances and of time deposit and term money accounts at banks that are due within three months.

(20) Cash and cash equivalents with limitations on disposal

There is a bank guarantee in the amount of € 31,320 (previous year: € 31,320) in connection with the lease for the Company's business premises for the use of office space at Eugen-Sänger-Ring 4 and 6, Brunnthal (StartPoint).

There is also a bank guarantee to Woltering GmbH on account of the lease for business premises to use office space and parking spaces at Eugen-Sänger-Ring 17, Brunnthal, in the amount of € 14,000 (previous year: € 14,000).

Time deposits with a term of one month in the amount of € 45,320 (previous year: € 45,320) were pledged to secure these lease guarantees.

For the platinum futures, Deutsche Bank required a margin line of € 750,000, which was deposited as security in March 2009. The entire deposited amount was then released during the last three quarters of 2009.

(21) Prepaid expenses

As in the previous year, prepaid expenses at December 31, 2009, relate to deferred maintenance costs and deferred fees for research.

(22) Intangible assets

For a statement of intangible assets, please see the Consolidated Summary of Fixed Assets.

Grants of € 1,626,189 (previous year: € 943,821) were received in connection with development activities and were shown as a reduction of research and development costs and of general costs of administration. Costs of € 979,700 (previous year: € 957,800) were capitalized as development costs. The additions to intangible assets from own production shown in the Consolidated Summary of Fixed Assets for financial years 2008 and 2009 also include costs in connection with SFC's patents.

An impairment loss € 28,172 (previous year: € 0) was recognized on capitalized costs for patents during financial year 2009, because some patent applications were no longer being pursued and were abandoned.

(23) Property, plant and equipment

Property, plant and equipment is shown in the Consolidated Summary of Fixed Assets.

Grants of € 304,310 (previous year: € 0) were received for investments in research, process development and pilot production infrastructure and offset directly against acquisition costs.

(24) Other provisions

Other provisions are shown in the following tables:

in €

	1/1/2009	Addition	Interest cost added back	Use	Reversal	12/31/2009	thereof with a remaining term > 1 year
Warranties	770,496	665,513	19,876	620,038	0	835,847	264,241
Total						**835,847**	**264,241**

in €

	1/1/2008	Addition	Interest cost added back	Use	Reversal	12/31/2008	thereof with a remaining term > 1 year
Warranties	559,565	569,015	14,435	372,519	0	770,496	243,581
Provision for promotions	101,600	0	0	92,700	8,900	0	0
Total						**770,496**	**243,581**

Part of the provision for warranties is related to long-term liabilities. This portion, in the amount of € 264,241 (previous year: € 243,581), is shown as other provisions under long-term liabilities. The provision was recognized in the amount of the cash value of the expected expenses. The amount was discounted to present value using an interest rate of 4 %.

The provision for promotions at January 1, 2008, related to charges from market initiatives in financial year 2007 and customer orders for systems that were not yet in inventory and whose cost exceeded the selling price.

(25) Liabilities from prepayments

Liabilities from prepayments relate to prepayments received on orders and are due in less than one year.

Liabilities from prepayments in 2008 included € 224,095 in prepayments which were related to a percentage-of-completion project and thus represented liabilities from production orders.

(26) Trade accounts payable

All trade accounts payable are due in less than one year.

(27) Liabilities from finance leases

Details of the minimum lease payments under the sale and lease back agreement are as follows:

		in €
	12/31/2009	12/31/2008
Future minimum lease payments		
< 1 year	0	119,915
1 to 5 years	0	0
> 5 years	0	0
Interest portion of future minimum lease payments		
< 1 year	0	1,733
1 to 5 years	0	0
> 5 years	0	0
Cash value of future minimum lease payments		
< 1 year	0	118,182
1 to 5 years	0	0
> 5 years	0	0

Finance leasing resulted in the following expenses:

		in €
	12/31/2009	12/31/2008
Depreciation	75,334	206,959
Interest expense	1,733	21,169
Recognised expense	**77,067**	**228,128**

The sale and lease back agreement that expired on May 31, 2009, related to SFC's IT and laboratory equipment. There was no purchase option at the end of the contract term.

The Company was given the opportunity to acquire additional assets during the term of the contract and to have them included in the contract. Reinvestment periods of six months each were defined for this purpose. The contract would have been extended by an additional six months each time a reinvestment volume was used.

The monthly rent depended on the volume of financing and had stood at 3.11 % thereof since December 1, 2007. The rent was adjusted at the beginning of every reinvestment period.

Changes to the term resulting from extensions of the investment agreement were treated as changes to estimates in accordance with IAS 8 "Accounting Policies: Changes in Accounting Estimates and Errors." The resulting effect on assets and liabilities was shown under these balance sheet items. The release of the remaining deferred gain was adjusted for the new term. The same applies to any adjustments of the monthly rent.

Because the Company's capital expenditures in January 2006 exceeded the contractually agreed reinvestment volume, a new leasing agreement had been in place since June 1, 2006. It was also classified as a finance lease. The basis for calculating the monthly rent was adjusted accordingly.

Since June 1, 2006, there have been no further additions to assets under the agreement, and therefore no further changes have been made.

(28) Other liabilities

Other short-term liabilities were as follows:

in €

	12/31/2009	12/31/2008
Variables/bonuses	593,969	388,149
Outstanding vacation	111,621	137,305
Wage tax	89,016	113,254
Trade association contributions	39,700	30,900
Severance and release from duties	21,613	28,373
Employee invention compensation	8,725	12,025
Social security	6,297	21,035
Supervisory Board compensation	5,000	27,500
Overtime	3,348	6,268
Market value of derivatives	84	511,184
Other	17,674	56,382
Total	**897,047**	**1,332,375**

Other long-term liabilities include the expensed obligation from the Long Term Incentive Plan for members of the Management Board and selected executives. See Note 34 "Share-Based Payment" for the details of that agreement.

Other liabilities include financial liabilities of € 39,784 (previous year: € 542,084).

(29) Deferred income

Deferred income in financial year 2008 related to deferred proceeds from the sale and lease back transaction.

(30) Equity

Changes to SFC's equity are shown in the Consolidated Statement of Equity.

Subscribed capital: At the balance sheet date, subscribed capital amounted to € 7,152,887 (prior year: € 7,152,887) and was divided into 7,152,887 bearer shares without par value, with a notional amount of € 1.00 per no-par-value share. The subscribed capital has been fully paid in. Each share confers one vote. Shareholders have no special rights that confer control.

In financial year 2008, SFC employees exercised the remaining 4,161 share options to acquire 4 shares each and accordingly increased the share capital by € 16,644. Of this amount, € 4,161 was paid up in cash and € 12,483 was drawn from the capital surplus. See Note 34 regarding the agreements on share-based payment.

Capital surplus: The capital surplus at the reporting date stood at € 66,879,638 (previous year: € 66,879,638).

The capital surplus increased by € 72,003 in financial year 2008 as a result of the expense associated with the share options issued in financial year 2006. As explained above, € 12,483 was removed due to the exercise of share options in 2008.

Conditional capital: The parent company has a conditional capital II in the amount of € 127,716 for implementation of share option programmes. There were no more rights for the exercise of options at December 31, 2009, and the stock option programme has ended.

In financial year 2008 the parent company had a conditional capital II in the amount of € 144,360. The conditional capital was to be used to establish a share option programme for members of the Management Board and Company employees which originally provided for the grant of up to 44,352 options to acquire the Company's ordinary bearer shares as no-par-value shares with a notional value of € 1.00. The programme was to remain in effect until December 31, 2009. Because of the capital increase from the capital surplus that was implemented, since April 2, 2007, every share option has entitled its holder to subscribe to four shares at a strike price of € 0.25 per share.

In connection with conditional capital II and the conditional capital I that existed in previous years, employees and members of the Management Board of the Company were granted option rights until the reporting date, allowing an adjustment for unexercised options, because of the capital increase in return for cash contributions on January 17, 2006. See Note 34 "Share-Based Payment" for details of the SFC share option programme. As of the 2008 reporting date there were no longer any exercisable option rights.

Authorized capital: The Management Board is empowered to increase the Company's subscribed capital by up to € 3,568,121 on one or more occasions before May 7, 2013, with the Supervisory Board's consent, by issuing new no-par-value bearer shares, in exchange for cash or in-kind contributions (authorized capital 2008). As a general rule, shareholders are to be granted preemptive rights to subscribe to these shares. However, under certain circumstances the shareholders' preemptive rights may be excluded with the Supervisory Board's consent.

Authorization to acquire own shares: The shareholders' meeting on May 12, 2009, authorized the Company to acquire its own shares by November 11, 2010, up to 10% of the Company's share capital on May 12, 2009. No use had been made of this authorization as of the balance sheet date.

The shareholders' meeting on May 8, 2008, authorized the Company to acquire its own shares by November 7, 2008, up to 10% of the Company's share capital on May 8, 2008. No use was made of this authorization.

Other changes in equity without effect on profit or loss: The other changes in equity without effect on profit or loss relate to changes resulting from foreign currency translation for the foreign subsidiary, with no effect on the consolidated income statement.

5. OTHER DISCLOSURES

(31) Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events beyond the control of SFC. Furthermore, present obligations are contingent liabilities when it is not probable that they will be claimed and/or the amount of the obligation cannot be measured with sufficient reliability.

There were no identifiable contingent liabilities as of the reporting date.

(32) Other financial liabilities

The other financial liabilities result from leases entered into.

Obligation under operating leases: The Company has financial liabilities under operating leases, particularly from the leases for the business premises and from motor vehicle, printer, and copier leases.

Operating expenses of €421,319 (previous year: €395,804) from operating leases were recognized in the current financial year.

The total minimum rental payments under the operating leases were made up as follows, broken down by due date:

OPERATE LEASES	in €
Rental payments within 1 year	920,051
Rental payments between 1 and 5 years	4,127,094
Rental payments > 5 years	6,845,180

Order commitments: The Group has purchasing commitments of €4,479,944 (previous year: €4,256,023). These relate primarily to blanket orders for components for fuel cell systems.

(33) Financial instruments

Pursuant to IAS 32 "Financial Instruments: Presentation," financial instruments are any contracts that give rise to a financial asset of one company and a financial liability or equity instrument of another company.

The following table shows the carrying amounts pursuant to the balance sheet for all financial instruments by class:

		in €
	12/31/2009	12/31/2008
Financial Assets		
Assets carried at amortized cost		
Trade accounts receivable	2,200,369	2,371,846
Receivables from percentage-of-completion	6,930	151,148
Other assets and receivables (less derivatives)	833,621	672,712
Cash and cash equivalents	40,543,600	45,567,521
Cash and cash equivalents with limitation on disposition	45,320	45,320
Assets measured as at fair value through profit or loss		
Derivatives with positive market value	150,108	609
Financial Liabilities		
Liabilities carried at amortized cost		
Trade accounts payable	1,957,452	2,050,326
Other liabilities (less derivatives)	39,700	30,900
Liabilities measured at the present value of minimum lease payments		
Liabilities from finance leases	0	118,182
Liabilities measured as at fair value through profit or loss		
Derivatives with negative market value	84	511,184

Derivatives with a positive market value are shown on the consolidated balance sheet under "other assets," and derivatives with a negative market value are shown under "other liabilities."

The book values of the financial assets and financial liabilities carried at amortized cost are close to the fair values because they are exclusively short-term.

Derivative financial instruments are recognized at their fair value in income or expense at each balance sheet date. Because those fair values are determined on the basis of observed market parameters (such as interest rates, exchange rates and commodities prices), they are categorized under IAS 39.27A as level 2 fair values of the fair value hierarchy.

The income and expense from the financial instruments by measurement categories are as follows:

		in €
	1/1–12/31/2009	1/1–12/31/2008
Financial assets		
Assets carried at amortized cost		
Income from write-downs of trade accounts receivable	13,847	0
Expense from write-downs of trade accounts receivable	–6,940	–16,409
Income from currency translation of trade accounts receivable	58,446	4,841
Expense from currency translation of trade accounts receivable	–21,622	–2,974
Income from currency translation of other assets	0	108
Expense from currency translation of other assets	0	–254
Interest income on cash and cash equivalents	726,456	2,069,857
Interest expense on cash and cash equivalents	–11	–42
Net result of assets carried at amortized cost	**770,176**	**2,055,127**
Assets measured as at fair value through profit or loss		
Income from mark-to-market of derivatives with positive market value	306,151	609
Income from the sale of securities	850	104,031
Net result of assets measured as at fair value through profit or loss	**307,001**	**104,640**
Financial liabilities		
Liabilities carried at amortized cost		
Income from currency translation of trade accounts payable	6,291	3,430
Expense from currency translation of trade accounts payable	–9,903	–2,243
Net result of liabilities carried at amortized cost	**–3,612**	**1,187**
Liabilities measured at the present value of minimum lease payments		
Interest expense from finance leases	–1,733	–21,169
Net result of the liabilities measured at the present value of minimum lease payments	**–1,733**	**–21,169**
Liabilities measured as at fair value through profit or loss		
Paid interest from silent partnerships	0	–4,375
Expense from mark-to-market of derivatives with negative market value	–84	–484,911
Net result of liabilities measured as at fair value through profit or loss	**–84**	**–489,286**

In the 2008 consolidated financial statements under IFRS, the item "Interest income from cash and cash equivalents" also contained interest income from interest accrued on long-term advance payments (see Note 18) which represents non-financial assets as defined in IFRS 7. The numbers for the previous year have been adjusted accordingly.

Capital management: SFC considers a strong financial profile for the Group to be a fundamental requirement for further growth. SFC's strategic orientation, and especially its chosen expansion strategy, will require further massive buildup efforts that will have to be financed to ensure future business success – particularly in product development, production, tapping further market segments, building the sales and distribution structure, and an organization that is growing in general. The funds brought in through the May 2007 public stock offering were raised specifically for this purpose. Until they are used to implement the growth strategy, excess liquidity has been invested with various banks in low-risk securities (e.g., money market funds, time deposits).

SFC's articles of association do not define any capital requirements. SFC is authorised to acquire its own shares up to the amount of ten percent of its share capital by November 11, 2010.

The table below shows the Company's equity and total assets as of each reporting date:

		in €
	12/31/2009	12/31/2008
Equity	**45,860,498**	**49,634,830**
As a percentage of total capital	90,9	90,5
Long-term liabilities	1,137,539	909,895
Short-term liabilities	3,444,426	4,294,769
Liabilities	**4,581,965**	**5,204,664**
As a percentage of total capital	9,1	9,5
Total capital	**50,442,463**	**54,839,494**

Thanks to its good level of capital resources and an equity ratio of 90.9 %, SFC is well positioned for the planned growth of the Group.

Derivatives: At the balance sheet date December 31, 2009, there were the following financial derivatives. They are used exclusively to hedge currency risks and to even out fluctuations in the purchase price of raw materials (platinum):

FAIR VALUE		in €
	12/31/2009	12/31/2008
Commodity futures (platinum)	150,108	–511,184
Currency forwards (Dollar)	–84	609
Total	**150,024**	**–510,575**

Currency forwards showed a negative market value (previous year: positive); the value for commodity futures was positive (previous year: negative).

The currency forward existing at the balance sheet reporting date was entered into to hedge the U.S. dollar exchange rate with a term at the end of January 2010. The total volume is USD 110,000.

The commodity futures existing at the balance sheet date hedge the price of platinum, which is a core component of the fuel cells. As part of platinum hedging, commodities futures were entered into with terms as of the end of various quarters in 2010 for a total of 600 ounces of platinum, equivalent to roughly USD 0.66 million.

Positive market values are shown under "other assets and receivables"; negative market values are shown under "other liabilities." Net gains on the mark-to-market of derivatives are shown under "other operating income." Net losses on the mark-to-market of derivatives are shown under "other operating expenses."

The market values of financial derivatives, as confirmed by the banks, are determined using mathematical procedures and based on market data at the balance sheet date (mark-to-market method).

Risks such as market risk, credit risk and liquidity risk may arise in connection with financial instruments.

Risks and hedging policy: As a result of SFC's international activities, changes in exchange rates, commodities prices and interest can affect the assets, financial condition and earnings of the Group. There are also credit and liquidity risks associated with market price risks or that accompany a worsening of the operating business or disruptions to financial markets.

The Management Board of SFC has entered into hedging transactions with the objective of managing and thereby minimizing risk factors. SFC may enter into derivative financial instruments only with the consent of the Management Board, and such instruments are currently used only for hedging.

Credit risk: Credit risk results primarily from trade accounts receivable. The risk consists of the possibility of default by a contractual partner because the customer structure is characterized by different large customers. To prevent the credit risk, creditworthiness is checked by reviewing credit information files for selected customers and regular status reports with an early warning function are obtained. Deliveries to new customers are generally subject to advance payment. All past-due receivables are also discussed weekly as part of receivables management, and steps are taken with the responsible sales employees.

The amounts shown on the balance sheet are net of the write-downs for receivables expected to be uncollectible, as estimated by management on the basis of past experience and the current economic environment. Specific write-downs are made as soon as there is an indication that receivables are not collectible. The indications are based on intense contacts as part of receivables management.

The maximum amount of default is the net carrying amount of the receivable. No collateral from unpaid receivables was acquired or recognized during the reporting period. Receivables are secured through a reservation of ownership.

The two largest customers account for € 481,385 and € 423,221 respectively of the trade accounts receivable totalling € 2,200,369. There are no other material risk concentrations.

Write-downs during the financial year were as follows:

in €	2009	2008
Write-downs at 1/1	**16,409**	**13,212**
Additions	6,940	16,409
Use	−2,360	−13,212
Releases	−13,847	0
Write-downs at 12/31	**7,142**	**16,409**

SFC's past-due, but as yet unimpaired trade accounts receivable can be broken down as follows:

in €	12/31/2009	12/31/2008
Gross book value of the impaired receivables	10,986	30,470
Specific write-downs	−7,142	−16,409
Net book value of the impaired receivables	**3,844**	**14,061**
Not past due or impaired	1,948,642	1,821,738
Up to one month past due and not impaired	132,801	498,888
One to three months past due and not impaired	113,423	29,549
Three to six months past due and not impaired	0	7,229
Over six months past due and not impaired	1,659	381
Receivables per balance sheet	**2,200,369**	**2,371,846**

The presentation of past-due receivables has changed since the 2008 consolidated financial statements. According to IFRS 7, only receivables that are past due but not impaired must be broken down by age. The information for the previous year has been revised accordingly.

The outstanding receivables that are neither past due nor impaired are highly credit-worthy, because of the current client base. There was no indication as of the balance sheet date that any defaults were to be expected in regard to these receivables.

No write-downs of the other financial assets were taken. There were no past-due receivables in this regard at the balance sheet date.

There are also credit risks with regard to cash. This cash substantially includes short-term time deposits and immediately available deposits at banks. SFC is exposed to credit risks associated with the investment of liquid funds to the extent the banks fail to meet their obligations. To minimize this risk, the banks in which the investments are made are carefully chosen, and the investments are divided among several banks. Moreover, only short-term time deposits have been made, which are covered by the deposit insurance of the banks. The maximum risk position corresponds to the book value of the cash as of the reporting date.

Liquidity risk: Liquidity risk describes the possibility that SFC may not be able to meet its payment obligations. This risk was counteracted by the capital increase in May 2007. SFC still has adequate cash reserves to be able to finance the further planned growth of the Group.

SFC is subject to liquidity risks from the financial liabilities that it holds, which are shown undiscounted in the table below at their earliest possible time. By analogy, the cash flows from financial instruments are shown as short- and long-term assets. The remaining net liquidity outflow is covered by existing cash.

in €

12/31/2009	Total	1 year	2 years	3 years	5 years	7 years	> 7 years
Original financial liabilities							
Trade accounts payable	1,957,452	1,957,452					
Other financial liabilities	39,700	39,700					
Derivative financial liabilities							
Derivatives with negative mark-to-market	84	84					
Total cash outflow	**1,997,236**	**1,997,236**	**0**	**0**	**0**	**0**	**0**
Original financial assets							
Cash and cash equivalents	40,588,920	40,588,920					
Trade accounts receivable	2,200,369	2,200,369					
Other financial assets	833,621	833,621					
Derivative financial assets							
Derivatives with positive mark-to-market	150,108	150,108					
Total cash inflow	**43,773,018**	**43,773,018**	**0**	**0**	**0**	**0**	**0**
Net liquidity from financial instruments	**41,775,782**	**41,775,782**	**0**	**0**	**0**	**0**	**0**

in €

12/31/2008	Total	1 year	2 years	3 years	5 years	7 years	> 7 years
Original financial liabilities							
Trade accounts payable	2,050,326	2,050,326					
Lease obligations	118,182	118,182					
Other financial liabilities	30,900	30,900					
Derivative financial liabilities							
Derivatives with negative mark-to-market	511,184	511,184					
Total cash outflow	**2,710,592**	**2,710,592**	**0**	**0**	**0**	**0**	**0**
Original financial assets							
Cash and cash equivalents:	45,612,841	45,612,841					
Trade accounts receivable	2,371,846	2,371,846					
Other financial assets	672,712	672,712					
Derivative financial assets							
Derivatives with positive mark-to-market	609	609					
Total cash inflow	**48,658,008**	**48,658,008**	**0**	**0**	**0**	**0**	**0**
Net liquidity from financial instruments	**45,947,416**	**45,947,416**	**0**	**0**	**0**	**0**	**0**

Interest rate risk: Interest rate risk results primarily from the investment of cash. As part of the capital increase in 2007, shares were also placed in the United States. In that context, SFC also had to assume the contractual obligation to comply with certain tax laws in the United States. Consequently, no investments may exceed a three-month term at present. In that respect, the net interest income or loss of SFC is materially influenced by short-term interest rates.

An increase or decrease of 50 basis points in the interest rate level would increase the net interest income or loss by € 214,324.

SFC is not subject to any other material interest rate risk from variable-interest instruments.

Exchange rate risk: Particularly on account of its volume of business with the U.S. Armed Forces, SFC generates a portion of its revenues in U.S. dollars, which is accompanied by lower expenditures and expenses in U.S. dollars. Therefore, currency forwards were entered into for 2009 to sell a total of USD 0.75 million. Of this amount, USD 0.11 million was swapped and will be sold in 2010. Because of delays in the award of JDAs with the U.S. Armed Forces, no further currency forwards beyond those transactions had been entered into as of the reporting date. Therefore, there is exchange rate risk only with respect to the unhedged portion of the revenues.

The existing U.S. dollar derivatives at the balance sheet date would have led to a € 3,817 change in the foreign currency result if the rate had fluctuated by – 5 % and to a € 3,817 change in the foreign currency result if the rate had fluctuated by + 5 %.

See the next section for exchange rate risks resulting from commodity futures.

Price risk for platinum: Due to platinum, which is one of the raw materials used in fuel cells and the related commodity futures, SFC is subject the risk of a change in the price of platinum. Moreover, platinum is usually traded in U.S. dollars, which results in additional value risks in connection with platinum futures depending on the performance of the U.S. dollar.

SFC uses derivative financial instruments and hedges the price of platinum quarterly to partially hedge the costs of platinum that are recognized in the price calculation.

At the balance sheet date a 5 % increase in the price of platinum would have resulted in the recognition of a € 30,448 increase in the fair value of the derivative, whereas a decrease in the price of platinum would have resulted in a € 30,448 decrease in fair value. A simultaneous 5 % increase in the exchange rate for the U.S. dollar would have resulted in an additional € 7,310 change in fair value, while a 5 % decrease would have resulted in a € 8,079 change in fair value.

(34) Share-based payment

Long Term Incentive Plan: The Supervisory Board adopted a Long Term Incentive Plan (LTIP 2009 – 2011) for members of the Management Board in March 2009 (tranche 1). The Supervisory Board approved the participation of additional selected executives in July 2009 (tranche 2). This plan, which will run for a total of five years, is intended to reward the contribution by members of the Management Board and selected executives to the added value of the company. The plan includes variable compensation in the form of phantom shares, each of which is based on the total value of one SFC share. A phantom share gives the holder the right to an equivalent cash payment in the amount of the applicable price of the share and a distribution equivalent to a dividend. There is no entitlement to SFC shares. The plan was not revoked or changed during financial 2009.

The plan is divided into three sub-tranches with different performance periods of three calendar years each. The performance period for the first sub-tranche of tranche 1 begins on January 1, 2009, and the other two sub-tranches each start one year later. The performance period for tranche 2 also starts on January 1, 2009. At the beginning of each performance period, a provisional allotment value is calculated based on the ratio of the allotment volume to the weighted average market price of the SFC share during the first three months of the respective performance period. An allotment volume totalling € 220,000 has been defined for the first sub-tranche of tranche 1, and an allotment volume totalling € 190,000 has been defined for tranche 2, so the number of provisionally allotted phantom shares is 36,001 units for the first sub-tranche of tranche 1 and 31,094 units for tranche 2. An allotment volume of € 220,000 is assumed for each of the remaining two sub-tranches of tranche 1; the number of provisionally allotted phantom shares is estimated on the basis of a price trend that is simulated as part of a Monte Carlo model.

The disbursement takes place after the end of each performance period based on the final number of phantom shares for a performance period at the average market price of the SFC share during the first three months after the end of each performance period. The final number of phantom shares depends on a success factor that is determined on the basis of defined EVA (Economic Value Added) target variables. If the employment relationship ends, there is no allotment for performance periods that have not yet begun. Except in the event of extraordinary termination, for tranche 1 the phantom shares for a performance period that is running at the time of resignation are disbursed pro rata based on the number of phantom shares that were provisionally allotted at the beginning of the relevant performance period. There will be pro rata disbursement of tranche 2 except in the case of ordinary termination based on conduct or extraordinary termination by SFC and except in the case of effective ordinary termination by an executive.

	Tranche 1.1	Tranche 1.2	Tranche 1.3	Tranche 2.1
Number of phantom shares	36,001	32,892	31,994	31,094
Maximum term (years)	3.0	4.0	5.0	3.0
Contractual remaining term on 12/31/2009 (years)	2.0	3.0	4.0	2.0
Outstanding number of phantom shares at the beginning of the 2009 reporting period (1/1/2009)	0	0	0	0
Phantom shares awarded during the 2009 reporting period	36,001	32,892	31,994	31,094
Phantom shares forfeited during the 2009 reporting period	0	0	0	4.091
Phantom shares exercised during the reporting period	0	0	0	0
Phantom shares outstanding at the end of the 2009 reporting period (12/31/2009)	36,001	32,892	31,994	27,003
Exercisable phantom shares at the end of the 2009 reporting period (12/31/2009)	0	0	0	0

The estimated number of provisionally allotted phantom shares in tranches 1.2 and 1.3 was calculated on the basis of a Monte Carlo simulation and may change at subsequent balance sheet dates as a function of the actual trend for the price of the SFC share.

The phantom shares that have been awarded have been classified and measured as share-based payment with cash settlement. The fair market value of the phantom shares is measured again on each balance sheet date using a Monte Carlo simulation, taking in account the conditions under which the phantom shares were awarded. The measurement for the options granted during the current reporting period was based on the following parameters:

Measurement date	12/31/2009
Remaining term (years)	2.0 – 4.0
Share price on the measurement date	€ 6.67
Strike price	€ 0,00
Expected volatility	57.03 % – 70.24%
Risk-free interest rate	1.38 % – 2.35 %
Dividend yield	0.00 %

The term in each case is the period from the measurement date to the end of each performance period. The expected volatility is based on the assumption that future trends can be concluded from the historic volatility, so the volatility that actually occurs may differ from the assumptions.

The weighted average of the fair market value of the phantom shares issued during the reporting period is € 5.94.

The LTIP will result in the following expense for SFC AG from cash-settled share-based payments:

	1/1 – 12/31/2009	1/1 – 12/31/2008
in €		
Current expense from cash-settled share-based payment transactions	182,548	0

Based on that expense, an obligation of € 182,548 was expensed under other long-term liabilities (previous year € 0).

Share options: In previous financial years, SFC issued share options in several tranches to the Management Board and other employees. These options were classified as equity-settled share-based payments. There are no plans for cash settlement.

At the start of financial year 2008, only 4,161 share options were outstanding, and these were exercised in full in the third quarter of 2008. The options from the remaining tranches had already been either exercised, redeemed or forfeited in previous years.

There were no cancellations or changes in existing plans during financial 2008.

The weighted average price per share at the exercise date of the options for the options exercised in 2008 was € 7.59.

General terms and conditions

Tranche 6

- The options cannot be exercised until the end of a vesting period of two years, and can be exercised only within 10 banking days of approval of the annual financial statements, within 10 banking days after the publication of quarterly figures, and during the first 10 banking days in the month of December.

- Options cannot be exercised later than the tenth banking day prior to a shareholders' meeting or during the ten trading days on the stock exchange prior to the annual financial press conference and the dates for the Company's quarterly reports.

- Upon termination of the employment relationship, options that were exercisable as of the termination date can be exercised in the next exercise window that follows the date of termination, and if they are not then exercised, they are forfeited without compensation.

- The beneficiaries are entitled to sell 50 % of the shares they receive no earlier than 12 months after they exercise the options. If beneficiaries intend to sell shares acquired under the option on or after the first trading day after the completed IPO, after this lock-up period has expired they must obtain the Company's consent to do so. The Company may refuse its consent if it has a justified interest in doing so.

No options were granted in financial year 2008 and no further options were outstanding at December 31, 2008. The weighted average remaining term of the options outstanding at the beginning of the 2008 reporting period was 2 years. The strike price for the options outstanding at the beginning of the 2008 reporting period was € 1.00.

The expense recognized for benefits received during the financial year was as follows:

		in €
	1/1 – 12/31/2009	1/1 – 12/31/2008
Period expenses from equity based compensation with settlement through equity instruments	0	72,003

(35) Related-party transactions

IAS 24 "Related Party Disclosures" defines related parties as companies and persons that have the ability to directly or indirectly control another party or exercise significant influence over the other party or participate in the joint management of the Company.

At SFC, shareholder Dr. Manfred Stefener, who holds a seat on the Supervisory Board, is to be classified as a "related party" within the meaning of IAS 24.

Persons in key positions at SFC are the Management Board members and the Supervisory Board members along with close members of their families. The Management Board and the Supervisory Board were made up as follows in financial years 2008 and 2009:

Management Board Members

Dr. Peter Podesser, Simbach, a businessman (Chairman)
Dr. Jens Müller, Munich, who holds a degree in chemistry

Supervisory Board Members:

Dr. Rolf Bartke, Berlin, a business engineer (Chairman since May 8, 2008; previously deputy chairman)
Rüdiger Olschowy, Schliersee, a businessman (deputy chairman since May 8, 2008; previously Chairman)
Wolfgang Biedermann, Hamburg, a businessman
Jakob-Hinrich Leverkus, Hamburg, a businessman
Dr. Roland Schlager, Munich, a businessman (as of January 24, 2008, and until November 30, 2009)
Dr. Manfred Stefener, Munich, an engineer

Companies that are directly or indirectly controlled by members of management in key positions or are under their significant influence are also classified as "related parties" under IAS 24 "Related Party Disclosures."

The following overview shows the transactions with related parties.

TRANSACTIONS 2009				in €
	Receivables	Payables	Income	Expenses
Persons in key positions	0	521,367	0	1,019,861
Companies with significant influence	3,478	0	18,299	0
Total	**3,478**	**521,367**	**18,299**	**1,019,861**

Revenues of € 18,299 were realized under a supply relationship for individual components and testing equipment with Elcomax GmbH, an entity under the significant influence of shareholder Dr. Manfred Stefener. Additionally, SFC operates together with Elcomax GmbH under a joint grant project.

TRANSACTIONS 2008				in €
	Receivables	Payables	Income	Expenses
Persons in key positions	0	324,543	0	620,104
Companies with significant influence	0	0	2,342	0
Total	**0**	**324,543**	**2,342**	**620,104**

Revenues of € 2,342 were realized under a supply relationship for individual components and testing equipment with Elcomax GmbH, an entity under the significant influence of shareholder Dr. Manfred Stefener. Additionally, SFC operates together with Elcomax GmbH under a joint grant project.

The compensation of persons in key positions was as follows:

				in €
	2009		2008	
	Fixed portion	Variable portion	Fixed portion	Variable portion
Management Board	547,113	301,861	562,149	96,250
Supervisory Board	168,333	0	168,763	0
Total	**715,446**	**301,861**	**730,912**	**96,250**

The variable portion in 2009 includes the expense for the Long Term Incentive Programme for members of the Management Board in the amount of € 163,111.

Last year included a renewal bonus for the early renewal of the contract of Dr. Podesser, a member of the Management Board, in the amount of € 50,000.

Total and individual payments to the Management Board break down as follows for the individual members:

FINANCIAL YEAR 2009	fixed compensation	short-term performance based compensation	long-term performance based compensation	Total (in €)
Dr. Peter Podesser	311,150	82,500	88,970	482,620
Dr. Jens Müller	235,963	56,250	74,141	366,354
Total	**547,113**	**138,750**	**163,111**	**848,974**

FINANCIAL YEAR 2008	fixed compensation	short-term performance based compensation	long-term compensation	Total (in €)
Dr. Peter Podesser	311,150	27,500	50,000	388,650
Dr. Jens Müller	250,999	18,750	0	269,749
Total	**562,149**	**46,250**	**50,000**	**658,399**

(36) Earnings per Share

The number of outstanding shares during the financial year was as follows:

in €	1/1–12/31/2009	1/1–12/31/2008
outstanding ordinary shares 01/01	**7,152,887**	**7,136,243**
Capital increase from share options July 2008	0	16,644
outstanding ordinary shares 12/31	**7,152,887**	**7,152,887**
Undiluted number of outstanding ordinary shares	**7,152,887**	**7,143,178**
Diluted number of outstanding ordinary shares	**7,152,887**	**7,143,178**

Pursuant to IAS 33 "Earnings per Share", the effects of potential shares must be taken into account in determining the diluted earnings per share. It is assumed that all exercisable options whose strike price is less than the average share price for the period were actually exercised. As during the previous year, there were no potential shares or dilution effects on the number of outstanding shares.

There are no dilutive effects on SFC's earnings, either.

The entire profit or loss for the period is attributable to equity holders of the parent company, and is included in the computation of undiluted and diluted earnings per share.

(37) Disclosures on the consolidated cash flow statement

The consolidated cash flow statement shows the origin and use of cash flows. In accordance with IAS 7 "Cash Flow Statements," cash flows from ordinary operations are distinguished from cash flows from investment activities and cash flows from financial activities.

Income tax payments pertained to withholding tax on capital and the solidarity surcharge, and most were withheld from credited interest when time deposits matured.

Surplus cash from the initial public offering in 2007 has been invested in short-term, low-risk financial securities. Therefore, the interest that is received is allocated to the cash flow from investment activity. The interest payments are shown in the net cash used in financial activity.

In January 2008, in connection with the redemption of the silent partnership of Technologie-Beteiligungs-Gesellschaft mBH ("tbg"), SFC repaid tbg's € 1,500,000 contribution in full while simultaneously settling the final compensation with a payment of € 720,000 (or 48 % of the contribution) and the current minimum compensation of € 30,625.

The "cash" item in the cash flow statement contains the "cash and cash equivalents" discussed in Note 19.

(38) Disclosures on consolidated segment reporting

As part of the consolidated segment reporting pursuant to IFRS 8 "Operating Segments," the segments are broken down in accordance with internal reporting. Internal reporting at SFC is primarily by product, but also by region. However, corporate planning and accounting for resources are based on the products or services.

The reporting segments within the meaning of IFRS 8.5 result from the Company's products and services:

- A-Series
- C-Series
- Joint Development Agreements ("JDA")
- Power Manager
- Other

The A-series are the series produced fuel cells that are particularly used in the leisure sector.

The C-series involves miniaturized fuel cells that resulted from development activities under the Joint Development Agreements.

The Joint Development Agreements are contractual agreements with strategic partners to further develop fuel cells and Power Managers to adapt them to customer-specific requirements.

A Power Manager is a versatile electronic converter that enables and facilitates charging and operation of various types of electronic equipment and batteries with different power sources.

The sales in the area of "other" relate primarily to the sale of fuel cartridges with methanol to fill the fuel cells and of testing equipment for the qualification of components of fuel cell systems, as well as consulting services for the first time in financial year 2009.

A separate "adjustment item" includes all amounts that cannot be attributed to one of the above segments, as well as the effects of consolidation.

Internal reporting is made to the Management Board and the Supervisory Board. The sales and number of items sold are reported by product category and by region. The Company's gross margin is shown as the segment result. No determinations of profits or analyses of profits at the segment level were made due to lack of materiality.

There is no offsetting between the segments.

The net result from interest income and interest expenses is shown in the financial result.

Sales by region were as follows:

in €	1/1 – 12/31/2009	1/1 – 12/31/2008
Germany		
A-Series	4,438,644	2,741,519
C-Series	38,044	0
JDA	236,737	1,758,922
Other	288,361	146,897
Total Germany	**5,001,786**	**4,647,338**
Europe		
A-Series	4,346,628	5,908,408
C-Series	145,633	288,000
Power Manager	52,105	22,256
Other	320,909	310,169
Total Europe (not including Germany)	**4,865,275**	**6,528,833**
North America		
A-Series	446,684	245,740
C-Series	192,084	98,192
JDA	759,824	1,750,473
Power Manager	76,169	1,099,428
Other	189,330	56,226
Total North America	**1,664,091**	**3,250,059**
Asia		
A-Series	111,592	55,086
Other	10,815	7,842
Total Asia	**122,407**	**62,928**
Rest of the world		
A-Series	11,057	43,506
C-Series	11,990	16,000
Power Manager	7,688	0
Other	3,088	5,133
Total rest of the world	**33,823**	**64,639**
Total	**11,687,382**	**14,553,797**

Sales by region were determined on the basis of the customer's registered office. Sales of € 5,001,786 (previous year: € 4,647,338) were generated at SFC's headquarters in Germany. All other countries generated sales of € 6,685,596 (previous year: € 9,906,459).

Sales to large customers (accounting for more than 10 % of sales) are shown in the following table:

	A-Series in €	JDA in €	Other products in €	Revenues in €	As a percentage of total revenues
2009					
Customer A	1,122,192	0	47,957	1,170,149	10,01 %
2008					
Customer B	0	1,758,922	0	1,758,922	12,09 %

The depreciation and amortization on fixed assets contained in the production costs are broken down by segment as follows:

		in €
	1/1 – 12/31/2009	1/1 – 12/31/2008
A-Series	236,526	249,105
C-Series	4,052	2,083
JDA	24,252	50,836
Power Manager	1,118	21,573
Other	19,816	25,142
Total	**285,764**	**348,739**

Additions to fixed assets break down among the segments as follows:

		in €
	1/1 – 12/31/2009	1/1 – 12/31/2008
A-Series	538,619	577,594
C-Series	9,228	4,829
JDA	55,226	117,871
Power Manager	2,546	50,022
Other	45,125	58,297
Total	**650,744**	**808,613**

Fixed assets and additions to fixed assets were assigned to the segments in the ratio of depreciation and amortization per segment to total depreciation and amortization.

All rights arising from intangible assets, as well as all property, plant and equipment, are attributable to SFC, having its registered office and principal place of business in Germany.

Additionally, other assets and receivables of € 63,285 (previous year: € 204,045) attributable to the A-series existed as of the balance sheet date.

(39) Auditor's Fees

The auditor's fees were:

		in €
	1/1 – 12/31/2009	1/1 – 12/31/2008
Financial statements	68,000	55,272
Tax consultancy	2,163	0
Total	**70,163**	**55,272**

(40) Declaration of Conformity under the German Corporate Governance Code

The Management Board and Supervisory Board have issued a Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act (AktG). It was published on the website of SFC Smart Fuel Cell AG on March 23, 2009. This Declaration of Conformity will remain available on the Internet for the next five years, and will thus be permanently available to shareholders. It is published in the Annual Report as part of the Corporate Governance Report.

(41) Material Events after the Balance Sheet Date

There were no material events after the balance sheet date.

Brunnthal, March 22, 2010

The Management Board

Dr. Peter Podesser
CEO

Dr. Jens Müller
COO

SFC SMART FUEL CELL AG, BRUNNTHAL RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Brunnthal, March 22, 2010

Dr. Peter Podesser
CEO

Dr. Jens Müller
COO

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated financial statements prepared by the SFC Smart Fuel Cell AG, Brunnthal, – comprising the income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity, statement of changes in fixed assets and segment reporting as well as the notes – and the group management report for the business year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the Parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB („German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the "Institut der Wirtschaftsprüfer". Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of the SFC Smart Fuel Cell AG, Brunnthal, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 22 March 2010

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Voit
Wirtschaftsprüfer
(German Public Auditor)

ppa. Häussermann
Wirtschaftsprüfer
(German Public Auditor)

FINANCIAL CALENDAR 2010

April 29, 2010	Publication of quarterly report
Mai 6, 2010	Annual general meeting
Juli 27, 2010	Publication half year report
Oktober 28, 2010	Publication nine months report

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